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THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

JULY/AUGUST 1959

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The Institute of Chartered Accountants in England and Wales

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Accountancy

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Professional Notes

Fellowship For All

AFTER NEXT JANUARY every associate of the Institute who has completed ten years' membership will automatically become a fellow, but an associate in practice will still be able, as now, to acquire fellowship after five years. Such is the salient feature of the changes in the supplemental Royal Charter and bye-laws, now approved by the members, but still subject to allowance by Her Majesty in Council.

A resolution to make the changes was passed at a special meeting of members on June 2. It was then also passed by the necessary two-thirds of those members who voted in a postal poll, the results of which were given to

members on July 21 in the notice convening another special meeting on August 5, and at that meeting the resolution was confirmed. In the postal poll, 14,231 votes were recorded for the resolution and 3,825 against.

Membership of the Society of Incorporated Accountants counts on the same footing as membership of the Institute for purposes of graduation or election to fellowship, and the use of the letters F.S.A.A., instead of A.S.A.A., by incorporated accountant members of the Institute will be governed by conditions similar to those regulating elevation from A.C.A. to F.C.A.

From next year all fellows of the Institute will pay lower subscriptions than under the present scale.

The Printing Stoppage and Accountancy

FOR THE FIRST time in the history of this journal we missed publication when the printing stoppage closed our printers' works and also prevented us from making any alternative arrangements to print and despatch the July issue. We convey our regrets to readers and we are trying to make up for the loss by publishing this present issue for July and August in combination. It seems to us that it is desirable to provide readers with virtually all the material that would have been in the July issue, even very belatedly and combined with the August one.

Unfortunately, we have also to apologise for the lateness in the publication of this July/August issue. Normally, a fair part of the typesetting for ACCOUNTANCY is completed three or even four weeks before publication. The printers did not resume work after the stoppage until the night of August 5 and they then had to face a heavy back-log of other work as well, so that it has proved quite impossible for us to keep to our normal publication date of the twentieth of the month. Further, the double issue has meant extra work.

Believing that our subscribers will agree that the publication of the combined July/August issue makes unnecessary any adjustment in subscriptions already paid, we are not proposing to make such an adjustment.

At the same time, the price of the July/August issue, bought as a single copy, remains at the normal price of an issue, half a crown (postage extra). Subscribers for a year or for a longer period will appreciate that their subscription price, on the basis of half a crown an issue, takes no account at all of the heavy expense of recording and collecting subscriptions and of wrapping and posting the issues.

Printing schedules at our printers' works—as at most others—have been so dislocated by the stoppage that we fear that there may be some delay in the publication of our September issue also. If there is, we crave readers' indulgence.

Contracting Out

A START HAS been made in laying down the detailed arrangements for contracting out of the new State pension scheme.

The first set of draft regulations has been published and the National Insurance Advisory Committee will consider representations on them received by September 8. (The draft National Insurance (Non-Participation-Certificates) Regulations, 1959 (price 6d. net), the draft National Insurance (Non-Participation—Appeals and References) Regulations, 1959 (price 4d. net) and the draft National Insurance (Non-Participation—Benefits and Schemes) Regulations, 1959 (price 3d. net), from H.M. Stationery Office.)

The new National Insurance Act provides two main tests which an occupational pension scheme must pass before an employer can contract its members out of the State scheme. Firstly, it must provide for life a pension at least equal to the maximum graduated pension that could be earned in the State scheme over the same period, preserving this pension right on a change of employment. Secondly, it must be a "recognised superannuation scheme" being financially sound and with its equivalent pension rights properly secured. The draft regulations provide that the first of the two tests will be satisfied even if the occupational pension is terminated or suspended because the pensioner assigns or tries to assign it. Conditions are laid down which must be fulfilled by a trust deed or assurance contract if the occupational scheme is to achieve recognition. Foreign trusts and schemes will not normally be acceptable.

The regulations also provide that an employer intending to apply for a contracting out certificate must give at least one month's notice to the employees concerned, by posting up at the place of work or in some other way approved by the Registrar. If representations are made to the Registrar about an application, he can defer the issue of a certificate to allow time for further discussion between employer and employees. He may also cancel or vary a certificate

either at the employer's request or if he has reason to believe it is no longer justified.

Appeals from the Registrar will be heard by an adjudicator who is to be appointed by the Lord Chancellor. Provision is made for the adjudicator to hear evidence orally, and for interested parties to be represented. A qualified assessor—for example, an actuary or an accountant—may be appointed to assist the adjudicator on questions of special difficulty.

The Minister of Pensions and National Insurance is expected to appoint as the first Registrar Mr. N. Leach, at present an Under-Secretary in the Ministry. In the meantime, Mr. Leach is available for informal consultation.

An extremely useful booklet, *National Insurance Act, 1959—Interrelation with Occupational Pension Schemes—A Financial Analysis*, gives guidance to employers considering whether to contract out. It is available on application from the Life Offices' Association, 33 King Street, London, E.C.2.

The Cohen Council on Price Reductions—

A THEME OF the third report of the Council on Prices, Productivity and Incomes (H.M. Stationery Office, 2s. net) is that the present state of the economy at large allows reductions in selling prices — indeed, demands them.

Output is increasing; the Council expects it to be some four per cent. higher by the end of this year than it was at the end of 1958. It is increasing faster than employment, which by end-1959 may be up by about one per cent. on the year. Thus output per head is expanding—perhaps by three per cent. or so during 1959.

The larger output per head means reduced costs of production, permitting selling prices to be lowered. The lowering of prices would put up real income all round. If, however, prices are not reduced in the sectors of increased productivity but, instead, money wages are raised, claims will follow for equivalent rises in wages in the other sectors in which productivity has not improved. Inflation will result.

One shortcoming of this argument is that it is elaborated in terms of the economy at large and not of individual producers—in the language of the economists, it is macro-economic, not micro-economic. The Council could hardly look at individual producers, but they might have looked at single industries, to find whether cost and demand conditions warranted price reductions by producers there. The present boom is mainly in the industries making consumer goods and, if each of those industries were to be taken separately, we should hazard a guess that continued ebullience in demand would seem to lie ahead for practically all of them and a present problem of many would be seen to be an inability to meet existing demand at the prices now ruling. That conjuncture is hardly one in which a producer can regard a cut in prices as the appropriate step. To press for lower prices in such circumstances is merely to exhort.

The point may be put another way. There is a difference between an improvement in productivity that occurs in company with an increase in demand (the present situation) and an improvement in productivity that occurs when an expansion in demand is brought about by a fall in prices.

—And on Replacement Costs

IN ITS TWO previous reports, the Cohen Council attempted to show the difference in profits if depreciation were taken on replacement costs instead of on historical costs. It had, however, put the figures forward with some reserve and as subject to a margin of error that might have been fairly wide.

In its last report, the Council gives better figures arrived at on further information. They are on the basis of the reducing-balance method, where that method is the normal accounting practice, instead of, as previously, the straight-line method throughout. The outcome is that for British companies as a whole in 1950–56: (1) depreciation on replacement costs was about one-third higher than on historical costs, and (2) total profits with depreciation calculated on re-

placement costs were 6 per cent. less than on historical costs.

Incorporated Accountants' Hall

RATHER MORE THAN thirty years after it was acquired by the Society of Incorporated Accountants as its home, Incorporated Accountants' Hall on Victoria Embankment has been sold. The price was £168,000. The purchasers (a commercial concern) have asked that for the present their name should not be disclosed.

Many members of the Institute, not only those who were previously members of the Society, will have feelings of sadness at the passing of the Hall into other hands, but, as we said when we reported that it was to be sold, the Council of the Institute considered the possibility of continuing to use the building as part of its headquarters, but unfortunately had to decide against that course on practical grounds.

Streamlining the Cotton Industry

ORDERS ON SCHEMES for the elimination of surplus capacity in the spinning, weaving and doubling sections of the cotton industry have now been placed before Parliament, under the Cotton Industry Act, to become operative in a section if sufficient applications are received from producers. The schemes provide for the payment of compensation by the Cotton Board to those scrapping plant, and for the raising of levies from those remaining in production, to meet part of the compensation for scrapping, the whole of the compensation to displaced workers (under arrangements made with the trades unions) and the costs of operation of the schemes.

All persons (including bodies corporate) eligible to participate must apply to the Cotton Board for compensation for machines scrapped or to be scrapped in the scrapping period, which ends on March 31, 1960. Compensation will be paid at one of three rates—premium, standard and discount. The orders contain detailed provisions covering the circumstances in which each rate will apply. Broadly, the premium rate will be paid to persons going out of business altogether; the standard

rate will be paid to persons who are closing down complete mills or plant which was in operation on April 24, 1959; while the discount rate will be paid in respect of units already closed down or for plant already idle at April 24, 1959.

The amounts of the levies, and the period over which they will be raised, will be settled when the response to the schemes is known.

A scheme for eliminating excess capacity has yet to be drawn up for the finishing section of the industry, if one is shown to be justified.

All this is only one-half of the total reorganisation of the cotton industry. The other half, its modernisation and re-equipment with the help of government grants, is planned to be carried through as the second phase of the whole operation.

Better Compensation for Compulsory Purchase of Land

COMPENSATION FOR LAND bought by public authorities under compulsory powers is to be at market values. That is the main result of the Town and Country Planning Act, which came into operation on August 16. Normally owners will receive the price for their land which they could have expected to get if it had been offered for sale in the open market.

Market value will take into account any development proposed by the acquiring authority and also any other development for which planning permission has been given or could reasonably have been expected if the land was not being bought by a public authority. A local council, for example, buying land for housing will pay the price that a private builder would pay, and one buying land for a school in an area where houses would have been permitted will pay the value of the land for housing.

The compensation payable when planning permission is refused remains unaltered by the Act.

Additional compensation can be claimed by an owner if land bought from him for one purpose is used within five years for another purpose, making the land more valuable.

Some owner-occupiers of property have been affected by "planning

blight." They wish to sell but have found they cannot except at a price much reduced because it has become known that a public authority has a scheme involving the future acquisition of the property. With a few exceptions, such owner-occupiers will now be able to require the authority to purchase the property forthwith at the normal price.

New Charter of Australian Institute
MEMBERS OF THE Institute of Chartered Accountants in Australia may now drop the suffix "(Australia)" or its abbreviation "(Aust.)" after their designation, when used within the Commonwealth of Australia. The suffix is still to be added, however, when the designation is used outside Australia.

This change is one effect of a new supplemental charter and by-laws which have been granted by Her Majesty the Queen.

The Council of the Institute of Chartered Accountants in England and Wales notified the Council of the Australian Institute in 1949 that no objection would be taken to the discontinuance of the use of the suffix in Australia.

Another matter now settled is the designation to be used by members whose names are on the "separate list"—that is to say, the members who are in commerce and industry (now approaching 30 per cent. of the total membership). These members may now describe themselves as "F.C.A." or "A.C.A.," as the case may be, or "Fellow (or Associate) of the Institute of Chartered Accountants in Australia" and must also add the suffix "(Australia)" or the abbreviation "(Aust.)" if the initials are used outside Australia. The designation "Chartered Accountant"—with or without the suffix—is reserved to practising members of the Institute and their clerks who are members, and is not to be used by members on the separate list.

Birthday Honours

WE HAVE PLEASURE in congratulating a number of members of the Institute of Chartered Accountants in England

and Wales whose names were included in the recent Queen's Birthday Honours List. A knighthood was conferred on Mr. Mortimer L. Warren, A.C.A., Secretary to the Church Commissioners for England since 1954. Sir Mortimer was admitted to membership of the Institute in 1927, and since that date has held a number of offices with Queen Anne's Bounty and the Church Commissioners.

Colonel T. F. Hood, O.B.E., T.D., D.L., J.P., F.C.A., Chairman of the Territorial and Auxiliary Forces Association, became a Companion of the Order of the Bath.

New Commanders of the Order of the British Empire were Mr. William Fisk, O.B.E., F.S.A.A., Borough Treasurer of Maidstone, who received the honour in recognition of his work as representative of the South-Eastern Region on the National Savings Committee; Group-Captain S. E. D. Mills, A.C.A., Royal Air Force; and Mr. M. A. C. Silverwood-Cope, A.C.A., Principal Executive Officer, Foreign Office.

Mr. F. R. Woodward, A.S.A.A., Treasurer of the Cornwall County Council, became an Officer of the same Order, and Mr. R. H. Epps, M.M., A.C.A., Secretary of the Eastern Gas Board, and Mr. H. H. Vincent, A.S.A.A., Senior Executive Officer, Government Communications Headquarters, received the M.B.E.

A Takeover Device Defeated

SHAREHOLDERS IN COMPANIES whose articles of association impose restrictions on the transfer of shares should have a particular interest in a recent decision of the House of Lords.

The Court of Session in Scotland had upheld a device whereby the well-known takeover bidder, Mr. Hugh Fraser (now much in the news because of his fight with Debenhams for the control of Harrods), finding it impossible owing to such restrictions to take over Lyle & Scott, Ltd., the knitwear and hosiery business at Hawick, by the usual methods, tried to circumvent the restrictions. We commented upon this decision under the heading "Buying a Shareholder's

Vote" in a Professional Note for March, 1958 (pages 111-2). The House of Lords has reversed the ruling on appeal (*Lyle & Scott, Ltd. v. Scott's Trustees*, 1959, 2 All E.R. 661) with the result that Mr. Fraser's attempt to obtain control has failed.

An offer had been made to shareholders, and some of them had accepted the offer by completing and returning the form of acceptance and completing a form of proxy. In the acceptance they agreed to sell their shares, authorised the use of their proxy, and agreed to deliver up their share certificates and sign transfer deeds when called on in exchange for the price. They received payment "for" their shares, but there was never intended to be any transfer of them: the shareholders had bound themselves to vote as directed by the offeror. The difficulty about the transaction was a regulation in the articles—similar to that in the articles of many other private companies—to the effect that no transfer of shares for consideration should take place so long as any other shareholder was willing to purchase them at a price to be ascertained by agreement between "the intending transferor" and the directors; failing such agreement the price was to be fixed by the auditors of the company. The article went on to say that any shareholder "who is desirous of transferring his Ordinary shares" should inform the company secretary in writing and the price should immediately be fixed.

It was contended on behalf of the respondents that the words "transfer" and "transferring" in the articles applied only to a complete transfer of the ownership of shares by acceptance and registration of deeds of transfer, and that a shareholder who agreed to sell his shares was quite entitled to do so, to receive the price and to vote as the purchaser wished, so long as he was not desirous of having a transfer registered. The House of Lords, however, held that the respondents were bound to implement the article of association by informing the secretary of the company in writing of the number of Ordinary shares that they had agreed to sell. Having entered into an

agreement to sell their shares, so long as the agreement was subsisting—and, said Lord Simonds, one acid test of its abrogation would be the return of the money they had received—it was not open to them to deny that they were “desirous of transferring” their shares, merely because it suited the purchaser and them that registration of the transfers should be delayed for the time being. The agreement unequivocally evinced a desire to sell and brought the machinery of the article into operation.

Accountant's Advice Ignored

THE MINIMUM PRICE of the standard loaf was the issue in a recent case before the Restrictive Practices Court, sitting in Scotland for the first time.

The reference by the Registrar fell within Section 6 (7) of the Act, and concerned price-fixing recommendations made by the Wholesale and Retail Bakers of Scotland and the Scottish Association of Master Bakers, who, relying on Section 21 (1) (b) of the Act, strenuously maintained that the removal of the restrictions would deny to the public as purchasers and customers specific and substantial benefits enjoyed by them.

The price recommendations were made to the industry by the Scottish Bread Costing Committee, which had been set up in 1940 to deal with costings and to adjust the State subsidy. When the subsidy was abolished in 1956, the trade organisations asked the committee and its independent accountant to continue costs investigations and to advise them on the retail price of bread. The data on costings provided by him were, however, necessarily incomplete, figures on flour rebates and cash discounts being regarded as in the personal knowledge of the individual members of the committee: hence the ultimate recommendations about the retail price were in the hands of the representatives of the industry, who were free to disregard, and had in fact disregarded, the independent accountant's advice.

On his figures for November,

1958, the accountant had advised the committee to take a halfpenny off the retail price of the standard loaf. His advice was not acted on and the explanation offered by the respondents, that it was not desired to make a change in view of the pending proceedings, did not strike the Court as sufficient or even relevant. The inevitable consequence, in the view of the Court, was that for many months consumers had had to pay sums, substantial in the aggregate, in excess of even what would be sufficient to provide the baker working on average costs with much more than an adequate margin of profit. The ascertainment of a price based on average costs had been shown to produce high profits for the low cost producers.

Further, the Court held that mere stabilisation of price was not a benefit or advantage to the public, it could be stabilised only at the right level. The view expressed in *re Yarn Spinners' Agreement* (L.R. 1 R.P. 118, 189) was re-affirmed, that, as a general rule, price stabilisation as an alternative to a free market was not a public benefit.

The restrictions were declared contrary to the public interest.

Sir Harry Peat

WE REGRET TO report that Sir William Henry Peat, G.B.E., K.C.V.O., M.A., F.C.A., died on June 24 at the age of eighty-one.

Sir Harry—the eldest son of the late Sir William Barclay Peat, C.V.O., F.C.A. (who was President of the Institute from 1906 to 1908) and brother of Mr. C. U. Peat, M.C., M.A., F.C.A., the present President—was senior partner in Messrs. Peat, Marwick, Mitchell & Co. He became a member of the Institute in 1906, and was admitted to partnership in the firm of W. B. Peat & Co. in the same year. From 1927 to 1944 he served on the Council of the Institute.

He held the office of Financial Secretary to the Ministry of Food from 1917 to 1920, and again (without remuneration) throughout World War II. Between the wars he had served on two Royal Commis-

sions and on several governmental committees. He was a former Master of the Needleworkers' Company, and from 1915 to 1926 a member of the Corporation of the City of London.

He was made a K.B.E. in 1920 and G.B.E. in 1946. In 1952 the honour of K.C.V.O. was conferred upon him in recognition of his services, in succession to his father, as auditor of the personal accounts of the Sovereign.

The Oxford Course

ONCE AGAIN MEMBERS of the Institute gathered under the dreaming spires for five days of work admixed with relaxation, discussions tintured with play. There were some 280 of them at Christ Church and Merton College, Oxford, from July 9 to 14 for the thirteenth Summer Course.

Three papers were given and discussed at length by the members in discussion groups; questions coming out of the discussions were put to the leaders of the papers at full sessions and answers given.

The papers were: *Business Efficiency—the Part of the Accountant*, by Mr. C. I. Bostock, M.A., F.C.A.; *Some Practical Aspects of Death Duties*, by Mr. B. G. Rose, F.C.A.; and *Accounting by Electronic Methods with particular reference to the Auditor*, by Mr. J. W. Margetts, F.C.A. Mr. Bostock's paper is published in this and the following issue of ACCOUNTANCY and we shall be reproducing the other two papers in later issues.

As is the well-established custom, at some of the group meetings the papers were put aside and members let their ideas flow on topics of general interest, including Institute topics. At these group meetings the President and Vice-President asked, answered and absorbed.

Then there was that essential ingredient of the Summer Course—informal interchanges and get-togethers in college rooms (liquid sustenance supplied by the Buttery).

In more organised fashion, parties went on visits to the Oxford University Computing Laboratory; A. C. Nielson & Co., the market research company; the Chinnor Cement &

Lime Co.; Blenheim Palace; and Wolvercote Paper Mill.

On the side of play—tennis, golf, poling on the Cher and, again in more organised fashion, a golf competition at Frilford Heath Golf Club (won by Mr. G. P. Marsden, F.C.A.).

On one evening, Mr. Basil Smallpeice, B.COM., A.C.A., managing director of British Overseas Airways Corporation, gave an informal talk to the assembled members and for it received general acclaim from them.

On the last evening there was held the traditional guest night dinner in Christ Church Hall, with Mr. C. U. Peat, M.C., M.A., F.C.A., the President of the Institute, presiding. The principal guests were the Dean of Christ Church, the Very Rev. John Lowe, M.A.; the Warden of Merton College, Mr. G. R. G. Mure, M.A.; and the Registrar of the University, Sir Folliott Sandford, K.B.E.

A highly successful Summer Course. The dates to note for the next: September 15 to 20, 1960.

Regulation of the Profession in Holland

LEGISLATION IS BEFORE the Netherlands Parliament for the regulation of the accountancy profession. The Government has introduced a Bill to set up a register to contain the names of all who have passed either a university accountancy examination or the accountancy examination to be held by a new professional organisation to be established under the title the *Netherlands Institute of Registered Accountants*.

The measure of regulation stops short of being total, for the mere title of "accountant" will not be protected.

Provisions covering the transition allow the following persons to qualify for registration during a certain period after the coming into force of the Act:

- (1) Those who have passed another accountancy examination in the Netherlands guaranteeing sufficient professional competence;
- (2) Those who, during the fifteen years immediately before the coming into force of the Act, have for at least

ten years practised the accountancy profession to an extent and in a manner guaranteeing sufficient professional competence.

While in principle only Dutch subjects and those residing in Holland qualify for registration, for the application of the Act subjects of other members of the European Economic Community (the Six) will be put on a par with Dutch subjects.

The Bill is virtually identical to the draft submitted to the State Secretary for Economic Affairs by a governmental committee which reported in 1956.

Bid for Shares—Circular to Shareholders

RESTRICTIONS ON THE distribution of circulars about investments are laid down by Section 14 (1) of the Prevention of Fraud (Investments) Act, 1958. Sub-Section (2) provides that sub-Section (1) shall not apply in relation to any distribution of documents which is permitted by the Board of Trade. By sub-Section (3) (a) (iii) there is exempted a circular issued by a company and addressed exclusively to holders of securities in, or to persons employed by, or to creditors of, the company or any subsidiary; while by sub-Section (3) (a) (i) the prohibition of sub-Section (1) also does not apply to the distribution or possession of documents which contain an invitation or information relating to securities, if (*inter alia*) the invitation is made or the information given by a licensed person holding a principal's licence.

On June 29, 1959, an unsuccessful prosecution under the Act of 1958 was undertaken by the Board of Trade at Marlborough Street Court, London. A Mr. A. was chairman of a company of wholesale chemists and also chairman of a company of financial consultants who, by agreement, were financial advisers to the first company. At a meeting of that company Mr. A. reported that he had received a firm offer of 2s. 4d. per share for a minimum of 375,000 and a maximum of 500,000 of the 2s. shares of the company and he proposed a resolution, which was carried unanimously, that the Board recom-

mend shareholders to accept the offer. A circular was sent out to shareholders from the offices of the company in Brighton, advising acceptance of the offer, but acceptances were to be sent to the financial consultants in London who had undertaken for a special fee to deal with the transfer of the shares.

The financial consultants were charged with having caused the company of wholesale chemists to distribute documents which to its knowledge were circulars containing an invitation to persons to offer to enter into an agreement for disposing of securities. It was not alleged that the circular led to anyone being defrauded. But it was alleged that the document did not contain sufficient information to allow shareholders to ascertain whether 2s. 4d. was a good price or not. Apparently a licence was not held by Mr. A. or by the financial consultants.

The Magistrate, Mr. Paul Bennett, v.c., said that he could not accept the claim that the act of the wholesale chemists was the act of the financial consultants and the summonses would be dismissed. He awarded 20 guineas costs against the Board of Trade.

A Modest Improvement in Building Society Accounts

WE HAVE URGED in this journal that building societies should be required to show in their accounts the division of mortgages according to the types of property on which they are secured. One of two main changes announced by the Chief Registrar of Friendly Societies, and affecting all accounts compiled after September 6, is that the societies must show the amount of outstanding mortgages on property for owner-occupation separately from the amount on other kinds of property as a whole. The improvement is welcome, for it will enable shareholders and depositors to distinguish the societies that have been lending in a big way on shops, offices and other commercial property, and because of this more speculative lending policy have been able to offer higher rates on shares and deposits. But the analysis of

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mortgages ought to be into more groups—shops, offices, estate developers, hotels, farms, cinemas, investment concerns, industrial enterprises, all can and do receive loans from some of the societies. The accounts do not give a true picture unless they enable one to see the division of mortgages in some detail. It is to be hoped that it will not be long before the Chief Registrar is emboldened (or empowered) to be more exacting; in the meantime, the public may at least come to realise that "building society" is a wide term, not confined to the society lending almost entirely on owner-occupier houses.

The other main change in the accounts is that in future more information must be given about investments. Quoted investments will have to be divided into those (i) redeemable within five years, (ii) redeemable in more than five years and (iii) without fixed redemption dates or redeemable at the borrowers' option, and in each group must be sub-divided into stipulated types of securities and shown at nominal value, market value and book value. The further information will enable the liquidity and reserve positions of a society to be more accurately gauged, and will provide a test of its investment policy generally.

The new form of accounts (form A.R. 11) is being sent to building societies by the Chief Registrar shortly, with notes for guidance.

Mot Injuste

"THANK GOODNESS WE are not run by chartered accountants. Of all the dehydrated professions that one can think of, that surely is it," so pronounced Mr. Douglas Houghton, M.P.

In the Home Service of the B.B.C., Mr. J. K. Melling, A.C.A., answered:

That's a bit sweeping, isn't it? Why pick on accountants—chartered accountants, too! Quite a few people don't know what chartered means; in *Quiet Wedding*, the aunt asks, "Do the people of Chadsden like the way you chart their accounts?" The hero replies, "Well, they bring them along to be charted."

Are accountants more dehydrated than—say, solicitors? Some humorist once said you could always tell what office you were in by the dust on the files—estate agents had less than accountants, and they had less than solicitors. Is it age, work, or environment that dehydrates? Pepys acidly recorded in his diary: "Country Receivers and Accountants (one of them with his hat cocked like a fool behind, as the present fashion among the blades is . . .)." I quite agree that many accountants in later years seem to shrivel mentally and become pedantic—perhaps that's why a peer once urged students at their annual general meeting to "Remember to be Gay." Look at doctors. Medical students are the liveliest of youngsters—twenty years later the humour is replaced by either impatience or understanding.

Anyway, why dehydrated? Surely that means having the unnecessary water removed, in such a way that the addition of fresh water brings the dry mass back to its original shape—well, almost, I'd forgotten dried eggs. That makes for adaptability, ease of operation, portability, and cheapness—surely, all *assets* of government? With all the unnecessary matter purged away until required, it does, admittedly, take away the individuality of the object—and *that's* not too good in a time of lack of personality. It's a depressing prospect to think of thousands of anonymous-looking men and women (remember Dodie Smith's comment about many women looking "like beautiful eggs"). What my friend Colin Wilson calls the cult of the insignificant can apply to rows of residences of "stock-brokers Tudor" as well as lines of council houses.

Perhaps the Member of Parliament really meant "desiccated"; that's quite a different process. I remember reading the political gibe of "desiccated calculating machines," but, funnily enough, that applied to politicians, not accountants. The only example of "dehumanisation" I can recall was a good-looking, young accountant writing up the books of an exclusive girls' school in Kensington. A girl burst into the staffroom, where he was working, apologised, and fled. He heard her exclaim, "I say, girls, there's a man in the staff-room," but he was chastened by the reply, "Don't be silly, that's not a man, that's the accountant!"

Or is it just that Mr. Houghton

fears accountants might govern all too intelligently? The Lord Mayor of London is a chartered accountant, and he's doing the job extremely well.

The Taxman Mated

SCHIZOPHRENIA OVER INCOME tax is an occupational complaint amongst accountants. Good citizens (we hope) to a man, they must regard the due payment of taxes as a patriotic duty; but as good advisers of their clients, they must fight to the death (or at any rate to the General Commissioners, if not to the House of Lords) against the injustice and tyranny of Her Majesty's Inspectors.

Everyone suffering so sorely should assuage himself by seeing the film *The Mating Game*, which has been loosely based on H. E. Bates's novel *The Darling Buds of May*. (The basing is loose indeed. The scene is now Maryland, and the atmosphere quite strikingly changed from Mr. Bates's very English May-time.)

For although mating is indeed a primary interest of the film (almost everything on the farm is pregnant, the heroine explains, for it's that time of year), the income tax *motif* is paramount. Father is a trader who deals only in barter, and so has no income (in cash) at all. His farm, attractive though it appears to the audience, is an eyesore to his neighbour, who eventually prompts the tax people to look into the position. They find that our barterer friend has never even rendered a return; they send a keen young man to investigate, and he is seduced (in principle if not in fact) within a matter of hours. Then the senior tax gatherer follows; and in a little while, when the farm is just about to be sold up, the fairy godmother, in the shape of three very senior tax gatherers indeed, comes along in a helicopter pumpkin, and everyone lives happily ever after.

There's a great deal of fun, and it would be a very solemn accountant who could resist it all. But it is all very sad from the point of view of the tax gatherers. The villain of the piece, if it is not the snooty neighbour, is the senior taxman, who is made to express the most unexceptionable

views about tax evasion in a most unpleasant manner. Father, on the other hand, has all the charm—the innocent charm—of which Paul Douglas is capable: his motives are of the purest; he is a good man. Need it be added that the audience is solidly for evading tax, or that the quite unjust discomfiture of the senior taxman is a substantial part of the happy ending?

Accountants, as schizophrenics, can enjoy themselves here with at least half of their split minds; Inspectors of Taxes, recognising the extraordinary similarity, in this regard, of the American and the British ways of life, may find laughter more difficult. But they are, after all, well used to unfair treatment.

The film had its first showing at the Empire Cinema, Leicester Square, and has now been generally released.

The play of the book of the film will have its first night at the Saville Theatre on September 2. We shall write on it next month.

Shorter Notes

Certificates Required by Trade Associations and Other Bodies

We direct the attention of members of the Institute to a statement by the Council (given in full on page 429) on this subject.

Taxation Committee of F.B.I.

Mr. W. H. Lawson, F.C.A., senior partner in Binder, Hamlyn & Co., and a past President of the Institute of Chartered Accountants in England and Wales, has become Chairman of the Taxation Committee of the Federation of British Industries. He succeeds Mr. Frank Bower, C.B.E., M.A., who continues as President of the Association of British Chambers of Commerce until 1960, the centenary year.

Examination and Training of C.A. Apprentices in Scotland

The new scheme of examination and training for apprentices of Scottish Chartered Accountants has been approved. In a recent poll of the membership of the Institute of Chartered Accountants of Scotland, 2,404 voted for the proposals and 645 against. The main features of the new scheme were

outlined in a Professional Note in our issue of June (page 303). The central feature, that apprentices should all take a full-time course during an "academic year" of nine months in the third year of their apprenticeship, is planned to come into force in the autumn of 1960.

Audit of Deposits with Estate Agents

It is reported that the Home Secretary has shown sympathetic interest in the suggestion by Mr. Denis Howell, M.P., that all estate agents should be members of a professional body and that deposits paid to estate agents should be required by law to be put into a special account and audited regularly. "I think I can say that the Government is in the first stages of preparing suitable legislation," Mr. Howell remarked.

Wider Investment of Court Funds

Special trusts, on the lines of unit trusts, should be formed to allow the wider investment of funds in court, recommends a special committee to the Lord Chancellor. The funds are those in the Supreme Court and the county courts belonging to infants and other persons under disability or recovered by widows under the Fatal Accidents Act. The range of permitted investments should be widened, it is recommended, to include "all trustee investments and suitable investments in building societies, company debentures and Preference shares, local authority mortgages and other securities, equities and unit trusts."

Many New Companies

Company registrations last year were more numerous than in any year since 1946. There were 22,370. At the end of the year 345,674 companies were on the registers, compared with 331,119 a year previously, and the total paid-up capital was £7,231 million, compared with £7,144 million at the end of 1957. The number of public companies continued the decline of recent years—at the end of 1958 there were 10,933, a reduction of 2,987 on the 1939 figure, but the paid-up capital, at £4,608 million, was £491 million more. The great increase in private companies continued—to 318,800, 172,065 more than in 1939, and their share capital, at £2,623 million, was £700 million more.

Publications of Seventh International Congress

The book of the proceedings at the Seventh International Congress of Accountants, held in Amsterdam in 1957, can still be purchased. The book is in English and the price is Dutch guilders

25 (£2 10s.). The book was described in a Shorter Note in our issue of August, 1958 (page 386). The separate booklets containing the papers given at the Congress are also available. The subjects of the booklets, each of which contains five papers, in English, are: *Principles for the Accountant's Profession*; *Budgeting and the Corresponding Modernisation of Accounting*; *The Verification of the Existence of Assets*; *Business Organisation and the Public Accountant*; *The Internal Auditor*; and *The Ascertainment of Profit in Business*. Each booklet costs one Dutch guilder (2s.). Orders for the complete book or for booklets should be sent to the Netherlands Instituut van Accountants, Herengracht 491, Amsterdam C, enclosing the appropriate remittance in Dutch guilders or English money.

More Work for the Public Trustee

The recent publicity campaign for the Public Trustee has produced results, he says in his report for 1958/59. There was a slight increase in the number of new cases accepted during the year, while new wills deposited and advices of the appointment of the Public Trustee both increased substantially. The total value of trusts under his administration at March 31, 1959, was nearly £233 million.

Taxation Conference at Folkestone

The ninth in the very successful series of National Taxation Conferences is to be held at Folkestone from October 9 to 12. It will be under the chairmanship of Mr. Percy F. Hughes, the Editor of the weekly *Taxation*, the organisers. Subjects of business sessions include Section 245 of the Income Tax Act, 1952; retirement pensions; valuation of shares in private companies for estate duty; capital allowances; and the work of the Department of the Accountant and Comptroller General, Inland Revenue. There is also a full social programme. Those attending are invited to make a nominal contribution of two guineas a person, but no further charge is made for any part of the conference, including social functions and tours. Registration forms are obtainable from the Conference Secretary at 98 Park Street, London, W.1.

Further Commercial Education

We had a Professional Note in our issue of last April (pages 190-1) on the report of the McMeeking Committee on Further Education for Commerce. The Minister of Education has now said that he accepts the report in its entirety (subject to further exploration into one

proposal, that there should be a national award for "sandwich" courses at degree level). New building projects and extensions for technical education are now going ahead fast, but little is being done for commercial education. The Minister announces that he now proposes to give special priority to building for commercial education in the years 1962-4.

Tax Advisory Panel

Sir James Millard Tucker, Q.C., is the new chairman of the Tax Advisory Panel, in succession to Lord Kennet, who has retired from the panel. Sir Bernhard Binder, F.C.A., has given up his membership of the panel and Sir William Carrington, F.C.A., joins it (both are past Presidents of the Institute of Chartered Accountants in England and Wales). The panel advises the Treasury on applications under Section 468 of the Income Tax Act, 1952, which requires Treasury consent to be given to certain transactions leading to avoidance of tax by transfer abroad.

Chartered Accountant as President of O.M.A.

Viscount de L'Isle, V.C., P.C., M.A., A.C.A., has been re-elected President of the Office Management Association for 1959/60. He is a director of a number of large public companies.

What about Old Uncle Tom?

At its recent national conference the British Medical Association passed a resolution asking its Council to make an approach to other professional bodies for the formation of a confederation of the professions. The proposer was concerned at the increased power of big business and the trades unions and the diminishing influence of the professional classes. He envisaged a widely variegated association—"just imagine," he said, "if we had working together the law, the judges, medicine and nursing, science, engineering, teachers, bankers, accountants, journalists, the stage, and that large new profession created by broadcasting and television! Add to the list our colleagues in the civil and local government services!"

Taxation in the Six

The countries of the European Common Market are beginning their examination of the problem of "harmonising" turnover and other indirect taxes in the Six. They are also making a comparative

study of the influence of direct taxes on distributed profits and, more generally, of all taxes affecting the movement and investment of funds.

Chartered Accountant as President of Corporation of Insurance Agents

The President for the ensuing year of the Corporation of Insurance Agents is Mr. A. J. Heald, F.C.A., A.A.C.C.A. Mr. Heald is senior partner in Baldwin & Son, Chartered Accountants, of Brighton, and also partner in F. England & Co., Chartered Accountants, of Brighton.

Procedure on the Finance Bill

The Select Committee on Procedure has recommended that Finance Bills should be taken, at least in part, in a standing committee, instead of in the committee of the whole House of Commons. The modern Finance Bill is so complex that there would certainly seem to be an advantage in the closer and more technical consideration it could receive in standing committee (apart from the saving of time of the House, the main factor appealing to the Select Committee). But the tradition that matters of taxation should be dealt with only on the floor of the House is very strongly entrenched, and the taxation provisions of the Bill are inevitably bound up with the administrative and technical ones.

A Calendar Fiscal Year?

A suggestion that the fiscal year should end on December 31, instead of April 5, received a rather lukewarm reception from Viscount Hailsham in the House of Lords. Such a change could not be made lightly, but the Government would consider any views expressed upon it, he said.

Treasury Control

Criticisms by the Select Committee on Estimates of the Treasury methods of financial control have led to the setting in hand of an internal inquiry, conducted under the general authority of the Chancellor. Advice will be taken from outside the government service. The review itself will be confidential but the conclusions reached by the Government will be reported to Parliament.

Gross Margins—and other Retail Figures

In the report on the Census of Distribution of 1957 (price 5s. net, H.M. Stationery Office) the section of most interest to accountants is that giving

gross margins, turnover, purchases and stocks at the beginning and end of the year for various retail trades and various kinds of businesses. Another section analyses book debts to retailers. Data is given, in analysed form, for sales, persons engaged, wages and salaries, numbers of establishments, sales, credit transactions (including those of check traders, finance houses and credit traders calling at the door), mail order trading and automatic machine trading.

Buildings for Commercial Education

New building projects and extensions for technical education are now going ahead fast, but little is being done for commercial education. The Minister of Education now announces that he proposes to give special priority to building for commercial education in the years 1962 and 1963.

Thank Evans?—Or the Contrary?

A nation-wide controversy was sparked-off by Mr. Ancrum F. Evans, F.C.A., who won a case in Bow Street Magistrates Court against two motorists who had parked outside his residence and offices in Eccleston Square, near Victoria Station. In what is believed to be the first private action of its kind in London, Mr. Evans, conducting his own case, said that his wife and mother, who both had cars, could not park outside the house without double banking and tradesmen were similarly affected. The motorists, who had parked outside the house for most of the day, were fined for causing unnecessary obstruction in the square. One school of thought bemoans that the courts will now be clogged with motorists, witnesses and police in similar court actions, and that 40,000 parking places in London and comparable numbers in other towns will be lost. Another school thinks that not many persons will be moved to bring private actions and that the police will prosecute no more than before.

The Bouncing Cheque

Happily, the "R.D." cheque is comparatively rare here. But in South Africa, according to report, the position with regard to dishonoured cheques is "pretty bad." The banks have decided to charge offenders a ten-shilling "ledger fee." Clients are not warned of the impending fine: their accounts are simply debited. Local banks in Johannesburg have been charging the fee for some time, and now the entire Union is following suit.

EDITORIAL

Our Money

THE Radcliffe Report is a precise and balanced study rather than a declaration of policy. One may certainly expect much of it to pass speedily into the folklore of the Treasury, the Bank of England and the City and quite soon to begin to affect their practices. At the same time, the report suffers from the marks of committee compromise and its unanimity was bought at a high price—the sacrifice of a more rigorous prescription for action.

Certainly, the 250,000 words of this committee are seminal: for long they will be pondered in back rooms, discussed in college rooms, dilated upon in lecture rooms. Probably they will have as much influence by way of the flowering of economic ideas as by shaping present policy. In its peroration the committee says "we have decided not to append to our report any summary of recommendations . . . to do so would not be well in keeping with the fact that a great deal of what we have written is, by design, devoted wholly to exposition and analysis."

One problem left largely unresolved is the comparative importance of various kinds of monetary measures (action upon the supply of money and credit and upon rates of interest), fiscal measures (changes in taxes and tax rates), and direct measures (hire purchase, capital and other controls). The committee says much on the first set of measures, but on the last two sets much less than it might have said. It is reluctant to give positive guidance for the future on how far the different policies should be put into effect: the "community has to make up its mind" on what admixture of the ingredients it is to have. But can the community possibly have a mind on such a technical issue and should not more help have been given?

Accept, however, that by design much of the report is written in a minor key. Yet on a plenitude of important matters the committee, while casting much light, also gives valuable judgment. In financial regulation, not only the banks but other credit-extending institutions—insurance offices, building societies, finance companies, hire purchase houses—should in future come within purview. Since these institutions are alternative sources of finance, to regulate the banks alone is merely a half measure. That conclusion is only one of a number fitting logically into a theoretical approach which the committee embraces almost passionately—the theory that it is not the supply of money, but the liquidity structure of financial assets, that is the crucial factor determining spending, and thus prices. Virtually new ground is covered in tracking another conclusion to which the liquidity approach leads—that the managing of public debt, by its

effect on the rate of interest at the long end of the market, not only (as in the main hitherto) at the short, should deliberately influence public liquidity. Indeed, this part of the report may well be the most significant of all. It is closely linked with the argument, convincingly displayed, that the long-term rate of interest may in the coming years remain higher than has been commonly expected.

The committee would again open the Public Works Loan Board to the local authorities, for loans at gilt-edged rates. It writes off the Capital Issues Committee. It urges that the facilities for financing small businesses need to be better known, but the only improvement suggested is that banks should be readier to put their accommodation in the form of term loans rather than overdrafts. It advocates long-term bank loans to farmers. It favours a "giro" system of making payments—a simple transfer from one account number to another at a central office—and looks to the Post Office to consider the system if the clearing banks or savings banks do not bring it in.

On the international side, it considers that limitations on sterling convertibility and import controls should be kept in reserve, but it does not accept that the pound should ever be allowed to fluctuate freely.

The City comes out well from this searching study. The discount houses are rebuked for bidding for Treasury bills by syndicate at prices deliberately manipulated to exclude outside tenders but, aside from the Bank of England, practically the only other bad mark against the financial institutions is for providing insufficient information. The Bank is much more strongly criticised for uninformative to the public, and also for not being sufficiently informed itself. One recommendation, that a standing committee, with membership drawn from Whitehall and Threadneedle Street, should advise on monetary policy, might well reduce the influence of the Bank, though the committee protests that it would not. Another recommendation, that Bank Rate changes should be announced by the Chancellor, not by the Bank Governor, is on a formality.

The committee is firm in believing that there should still be part-time directors of the Bank (in passing, "similar conflicts between two separate responsibilities or between interest and duty arise and are accepted as being neither intolerable nor objectionable in many other spheres of relationship"). The new set-up would, however, mean that the part-time directors would not normally know of projected changes in the Bank Rate, and would thus be relieved of possible embarrassment. But part-time directors they would remain, with their share of corporate responsibility in Bank policy—not merely consultants.

Those British auditors—a growing number—who audit concerns in this country which are in American ownership may find a summary of American auditing practice particularly valuable. But other British auditors may also usefully note the main differences between auditing practice here and in the United States.

British and United States Auditing Compared

by J. R. Reid, F.C.A.

IN SUBMITTING THESE notes to the readers of ACCOUNTANCY I would first like to remind them that the United States is such a vast country, where the laws and customs of each State differ considerably, that I could not possibly hope to discover whether or not the principles I describe are observed all over the country. I have, therefore, brought out such differences as I found between the auditing procedures of the two countries; also I have omitted many similarities and have referred only incidentally to accounting principles.* The views expressed are my own and they do not necessarily reflect those of my partners.

The objects of auditing in the United Kingdom and in the United States of America are basically the same. With two exceptions (see under "Stocks and Debtors" below), when a British accountant engaged on an American audit feels some doubts about the auditing procedure to use, he should adopt the principles he would have adopted in a British audit and he will not be far wrong. There are, however, some differences of emphasis, which are dealt with later, and a number of interesting techniques used as alternatives to English ones.

Historically, the profession in each country has progressed along separate but somewhat similar lines, the most important similarity being the emphasis on the "independent" status of the auditor. The American Institute of Certified Public Accountants makes special reference to independence of judgment in its code of ethics.

In recent years in the United Kingdom the various

accounting bodies have aimed at improving standards of accounting and auditing by focusing attention on particular problems—see, for example, the recommendations on accounting principles published from time to time by the Institute of Chartered Accountants in England and Wales and the representations before the Cohen Committee. Many of these suggested improvements have now been given statutory backing in the Companies Act, 1948. In the United States, where many of the original practising accountants were British, development has been somewhat faster than in the United Kingdom, in line with the rapidly growing economy of the country. Present auditing practice stems partly from case law (for example, the *Ultramares* and *McKesson & Robbins* cases establishing that auditors can be liable to third parties in certain circumstances), State laws, Federal Reserve Bulletins, Regulations and Accounting Releases of the Securities and Exchange Commission (the S.E.C. was established in 1934), New York Stock Exchange rules, and so on, but the main influence has been the pronouncements and bulletins of the American Institute of Certified Public Accountants, which not only reflect these advances but often give quite positive guidance to the practitioner. The S.E.C. and Institute are in constant communication on questions of best practice. State Societies of C.P.A.'s have also subscribed to these pronouncements on best practices—for example, in conjunction with the Banking Association, the New Jersey State Society of Certified Public Accountants has issued a publication dealing with the scope of bank audits. There have more recently appeared bulletins by the American Institute concerning terminology.

In both countries by far the greatest progress in accounting and auditing standards has resulted from the need, in order to conform with best practice and/or the law, for

*Among others the following publications of the American Institute of Certified Public Accountants are useful for reference: *Accounting Research Bulletins*; *Codification of Statements on Auditing Procedure*; *Terminology Bulletins*; *Accounting Trends and Techniques*; *Case Studies in Auditing Procedures*; *The Journal of Accountancy*.

the accounts of companies to be more informative and to present a true and fair view of their affairs (in American terms, to present fairly their affairs).*

It is as well at this stage to consider briefly the appointment of company auditors and to explain who may be an auditor. In Great Britain,† of course, except for the first appointment, auditors must normally be appointed by resolution of the shareholders and they cannot be removed except by a similar resolution; their remuneration must be fixed by the shareholders or shown separately in the accounts. Except for exempt private companies (close corporations) company auditors must be members of a recognised accountancy body or authorised to act by the Board of Trade.

In the United States none of the Federal or State laws requires the appointment of company auditors, but when the shares of the company are listed on stock exchanges the appointment of independent auditors becomes necessary. The proportion of companies thus affected is relatively not large. Many other companies, however, appoint auditors and usually require a normal audit leading to an unqualified report. Most auditors are appointed by the Board of directors and it might be thought that they may thus not be sufficiently independent of management, but it is argued that the method of appointment should not affect the auditor's judgment—the real test of independence is the state of mind of the auditor. The auditor's remuneration is not generally disclosed.

In both countries directors, officers or employees of a company, among others, are not eligible for appointment as its auditor. In the United States it is considered that a shareholder with a material interest may not be appointed because there is a presumption of loss of independence.

It is interesting to note that whereas in Great Britain the Companies Act specifically makes the directors responsible for producing the accounts, which have to be signed on behalf of the Board by two directors, in the United States the company is normally required to produce its own accounts with possibilities of heavy damages being incurred by any individual connected with the publication of accounts which are misleading or fraudulent and where someone suffers damage. (But for purposes of the Securities and Exchange Commission see next paragraph.)

The Securities and Exchange Commission

The Securities and Exchange Commission (S.E.C.) has had and still has a very powerful influence on accounting and auditing principles in the United States, and to appreciate the changes that have occurred in the last twenty-five years it is necessary to understand its origin and functions.

*Throughout this article appropriate American expressions are given in brackets after the English word.

†When references are made to the Companies Act, 1948, I refer to Great Britain, not necessarily to the United Kingdom, since the latest Companies Act in Northern Ireland is that of 1932.

The Wall Street crash of 1929 caused much thought on improving methods of financial reporting. (In Great Britain there was the Companies Act of 1929.) There were also, at the time, economic changes, for example "The New Deal", and there was severe public criticism of accounting; consequently the Securities Act, 1933, and the Securities Exchange Act, 1934, were passed on a national basis and the S.E.C. was appointed to make the rules to carry these Acts into effect.

The 1933 Act deals with the issue and sale of securities to the public, and the 1934 Act applies only to companies already listed or wishing to be listed on the numerous stock exchanges and not necessarily to the accounts presented to the shareholders.

The rules issued by the S.E.C., which are quite separate and additional to the rules of the many stock exchanges, and the pronouncements on similar lines of the American Institute had, however, a decided influence on accounting principles, consistency and fuller disclosure in company accounts.

Under S.E.C. regulations the directors and officers are responsible for the statements submitted to it.

Under the 1933 Act in connection with statements for submission to the S.E.C. the auditors have a direct civil liability for wilful or fraudulent misstatements—for example, omissions of liabilities, etc.

Much time is necessarily spent in American offices on discussions on the best methods of complying with the S.E.C. regulations (or generally on how to comply with them!).

The S.E.C. has its own accounting staff, which includes a number of Certified Public Accountants, and in certain instances in which it has made an investigation, it has published harsh and uncomplimentary reports on accountants who had signed statements submitted to it and temporarily suspended a number of firms from practice before it.

This difficulty is now often avoided by prior consultation between the accountant and the commission on thorny problems.

Laws called "Blue Sky Laws" have been passed in many States. These laws, too, regulate the sale of shares and under them certain filings similar to the S.E.C. filings are frequently required.

The Audit Report

The American short form audit report (still sometimes called a certificate though it is widely recognised that it is a report or opinion) was developed over a period of twenty years by the American Institute and the S.E.C. after a number of previous reports had proved to have become inadequate in changing circumstances. The S.E.C. refused to accept it until the "scope" paragraph included wording to the effect that "generally accepted auditing standards had been complied with" and that the auditor had adopted all the procedures he considered necessary.

The present unqualified report in general use, which was issued in 1949 by the American Institute, is as follows

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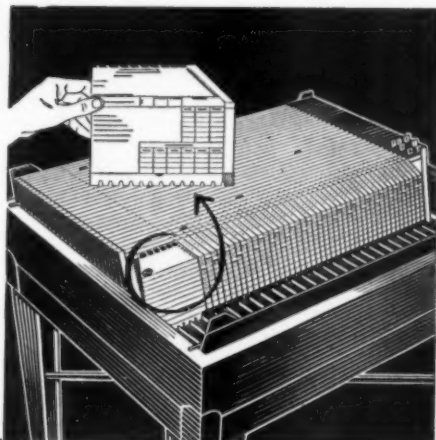
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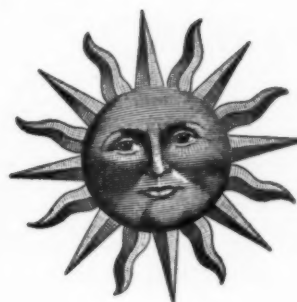
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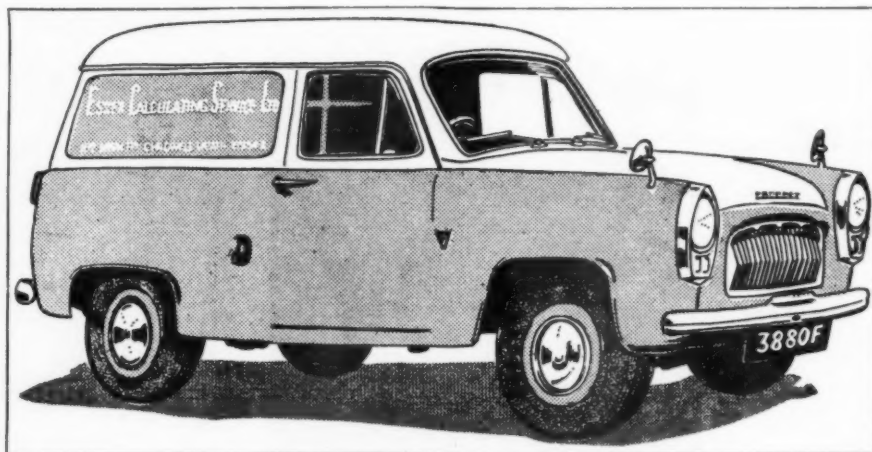
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and I draw particular attention to the two phrases in italics:

We have examined the balance sheet of company as of December 31, 1949, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with *generally accepted auditing standards* and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In our opinion, the accompanying balance sheet and statement of income and surplus fairly present the financial position of the company at December 31, 1949, and the results of its operations for the year then ended, in conformity with *generally accepted accounting principles* applied on a basis consistent with that of the preceding year.

Once the meaning of the italicised words is clearly understood, I think the form of the report compares favourably with that of the one most commonly used in the United Kingdom, which resulted, unfortunately as far as some of the wording is concerned, from the adoption of the phraseology of the 9th Schedule to the Companies Act, 1948. Recently, however, I understand there has been a move in the United Kingdom to simplify this wording.

It is exceptional for American groups of companies to issue both a consolidation and the parent company balance sheet; thus the American audit report often deals only with the consolidation.

Auditing Standards

At the annual meetings of members of the American Institute of Certified Public Accountants in 1948 and 1949 resolutions were adopted defining the expression "generally accepted auditing standards." I consider that these standards are very similar to our own, but the following parts of that definition are worthy of special note:

There is to be a proper study and evaluation of the existing *internal control* as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted.

The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an over-all opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

In both countries, although certain procedures are different, it is the auditor's responsibility to decide how much work he has to do. In the United Kingdom it is clearly laid down that it is also the auditor's responsibility to decide the extent of the information and explanations that he may require, but there is no such provision in the American law, although, of course, the auditor normally does so decide.

In connection with American engagements, almost every time an opinion is given on financial statements it is

necessary to state that the examination is made in accordance with the "generally accepted auditing standards" which I have mentioned.

These standards are not specifically defined as such in Great Britain but under the Companies Act it is necessary to enumerate in the "scope" paragraph, again to use a descriptive American expression, that the items mentioned in the 9th Schedule thereto have been carried out. This "scope" paragraph has, in recent years, been widely adopted for almost all types of audit. Apart from these matters the obligation to carry out certain auditing procedures is largely derived from case law, negligence claims, and so on, but since in the United States, in contrast, the standards are defined it is essential for every senior-in-charge of American engagements to realise exactly what these standards are.

Owing perhaps to the much larger size and growing complexity of many American corporations, a more positive effort seems to have been developed by auditors in the United States than in the United Kingdom to review the system of internal control (including internal audit) *before* undertaking any audit work, thus enabling a better use of time spent on detailed checking. However, in the United Kingdom, often the auditor notes the state of internal control as he does his checking and satisfies himself, sometimes regretfully by a sort of instinct only, that it is operating properly. In the United States the requirements of generally accepted auditing standards mentioned above make it necessary to spend much time ascertaining by preliminary discussions with officials what system is supposed to be in force, but I have some reason to think that sometimes these discussions are allowed to drift, leaving insufficient time for making enough tests to see that the system is really functioning as it should.

It is readily agreed in both countries that the question of internal control is a very important one. Auditors in both countries are entitled to rely on it and reduce their testing accordingly, except in the event of their suspicions being aroused.

Whether or not standard forms are used in recording the position—and there are adequate forms available in most large firms—the senior in-charge should at least prepare some notes on his assessment of this most important factor in an audit.

Having reviewed the system of internal control, and only then, it is possible to draw up the audit programme (program); incidentally I think it is preferable to have one complete programme so that it can be reviewed in its entirety rather than to have it spread, as sometimes happens in the United States, over many different schedules (analyses) on which work done is often described. The various steps in a programme are sometimes numbered and the work done on a schedule cross-referenced to the programme and vice versa.

There seems to be a greater tendency for printed *pro forma* programmes to be used in the United States for part of the audit. While this practice may have some advantages, I feel that the senior in-charge of the audit, by using the forms automatically, may not do all the

thinking that he should in planning the audit. Moreover, printed forms can be used only where appropriate—for example, the form for work on a manufacturing business should not be used for work on a bank.

The American Institute, as for auditing standards, has published and continues to publish statements on auditing procedures, but I do not intend to describe them all here. The following is a brief summary of some of the procedures which are adopted in the United States but not always in the United Kingdom, and vice versa.

Stocks and debtors (Inventories and receivables).

Two features familiar to most British auditors and which, since the famous (or infamous) *McKesson & Robbins* case (1939), are now essentials in American auditing, are the observation of physical stocktaking (inventories) and the confirmation of debtors (receivables). If these assets are material in relation to the total assets, these procedures are a "must" and if not performed it is seldom possible to give an "opinion" (even a qualified one). For this reason it seems that a United States auditor appointed some time after the end of the accounting (fiscal) period would probably have to deny an opinion. This is, it seems, rare, however, because it is normally possible to produce a more current balance sheet to audit.

Physical tests of stocks (not always at the time they are taken by the company) are becoming more frequent in the United Kingdom, and I think rightly so, but they are not yet a requirement nor are they adopted generally. The British auditor, however, probably pays greater attention to the clients' working papers—for example, seeing original count sheets, signatures of the different persons involved in the stocktaking, and so on.

Where American companies with perpetual inventory records adopt a system of "cycle counts" it is virtually impossible for an auditor to observe all the company's physical stocktaking. It seems, however, that where the records and internal check are adequate and he is able to examine the cycle counts and make sufficient physical counts, or arrange to have them made in his presence, he need not refer in his report to this apparent lack of observation of the physical stocktaking.

It is unusual in the United Kingdom for there to be more than one count of each item, whereas in the United States there are often two (or even three) by teams working independently. One method often used is referred to as the "tag" method. Three cards of different colours, prepared from stock records but not showing quantities, are fastened to each bin. The first team records its count on the first "tag", which is then removed by someone specially detailed for the purpose: the same procedure is followed by the second team; if differences occur a third count is made. An inventory taking of this kind in a large business requires elaborate preparation. The auditor observes all these different phases and makes his own tests at the same time. The fact that this observation takes place should not lead the auditor to believe that the stock lists could not include extra tags inserted after the count is over and he should still take precautions accordingly.

Where any material quantity of stocks is held in depots of third parties the certificates of those parties are not regarded as sufficient and physical tests are necessary.

In connection with physical stocktaking, the words "examine the cut off" used in the United States are very apt with reference to the procedures involved in both countries for checking the receiving and despatch (shipping) of goods (merchandise) up to the time from which no further movements are allowed until the process is complete. It is an expression that could well be adopted in the United Kingdom.

The procedure of confirming customers' balances (and suppliers' debit balances) is normally resorted to in the United Kingdom only in special circumstances—for example, in cases of suspicion being aroused or where the system of internal control is obviously inadequate; however, in my experience it often reveals irregularities that might not be traced otherwise. The British auditor usually has more time after the end of the year and relies on the possibility, combined with the other normal procedures, of making reasonable tests of receipts after the end of the year and of examining the clearance of customers' accounts.

American confirmation requests usually ask the client's customer to confirm his balance. This is positive confirmation. Negative confirmations call only for advice of disagreement, if any. Both positive and negative confirmation are used, sometimes the former for larger amounts.

Confirmation of the larger amounts produces good confirmation statistics and, of course, satisfactorily substantiates the balance sheet figures, but irregularities occur quite frequently in the smaller accounts and I feel that they deserve some attention too.

Physical stocktaking and confirmation procedures which are referred to as "extended auditing procedures" may be carried out during the accounting period. If the internal control and records are adequate and the other usual precautions are taken—for example tests between the selected date and the year-end, such timing is often to be recommended. The dates chosen are usually late in the period under review; if these procedures are carried out during the year completion of the audit at an early date is facilitated.

Where these procedures are not fully carried out and the auditor is able to satisfy himself by other procedures, he usually states so in the scope paragraph of his report in the rare circumstances of his feeling that he can express an unqualified opinion.

Before leaving the subject of stocks and debtors it may be of interest to mention a number of procedures often used in the United States in connection therewith and not generally used in the United Kingdom:

- The computation of rates of turnover of stocks and comparison with the previous years;
- The calculation of the percentage of debts outstanding to total turnover and comparison with previous years;
- Confirmation is sometimes supplemented by mailing the client's end-of-month statements to his customers;
- The "ageing" of debtors, usually and preferably by

numbers of months overdue. Although the British auditor will undoubtedly review debtors, particularly old outstanding accounts, and make any necessary allowance for bad and doubtful debts, a tabulated statement by "ages" as used in the United States, if produced by the client and tested by the auditor, has the merit of making possible a quick appreciation of the doubtful debts position and comparison of the rate of collections with those of previous years.

Balances (cash) at banks

It is interesting to note that in the United States accountants and bankers have produced a standard form for requesting confirmations from banks.

When obtaining bank confirmations the banks are requested to list movements of the last three to four days before and two to three days after the date chosen, and these movements are compared with the bank statements produced by the client.

The comparison of the cash records with returned cheques (checks) is an essential part of an audit in both countries but it has not been universally adopted in the United Kingdom because, presumably, officially stamped receipts have been available until recently; however, with the passing of the Cheques Act, 1957, I presume this procedure will be more generally adopted in the United Kingdom. In countries where no receipts are given for payments by cheque there is really no adequate alternative and very energetic steps must be taken to carry out this test before hiding behind the standard wording of the American report "and accordingly included such other auditing procedures as we considered necessary in the circumstances."

Analytical (analytic) reviews

This American procedure, preferably undertaken at the start of an audit in order to draw attention to trouble spots and unusual items, consists of analysing and comparing the client's operating accounts month by month—for example for administrative expenses, cost of sales and factory expenses, and so on. Variations are noted and explanations sought. This analysis and comparison should, if possible, be extended to the month or so following the end of the period. If performed intelligently the procedure can reveal irregularities and it has the advantage of bringing items to the attention of the auditor that he might not otherwise observe because his test covered a different period. To some extent it is dangerous as it might be thought to be a substitute for vouching. It may reduce the amount of testing in this respect but I do not think that it should be allowed to replace it. Often the figures are prepared to the nearest round figure—a practice which seems satisfactory and saves time.

Checking postings

It appears to be the practice in the United States to test-check postings of different items to the general ledger for odd periods and not to mark the books. In the United

Kingdom, however, it is usual to test such postings exhaustively for definite periods and to see that all postings for that period are cleared: this practice has the merit of ensuring that, for the period tested, there are no fictitious postings from non-existent records of prime entry. To some extent the American practice appears weak in this respect, but it presumably relies on the proper operation of the internal control.

Vouching

Vouching is less extensively carried out in the United States than in the United Kingdom, as a result, perhaps, of greater reliance on internal control and analytical reviews; although it is an important factor in an audit in both countries I think more emphasis is given to it in the United Kingdom.

In the last century, and even in the early part of this one, British auditors frequently vouched every entry, but this practice has given way to testing selected periods depending upon the circumstances. This test is exhaustive—in other words, when, and only when, every item in the period selected has been examined "in depth",* notes made of missing vouchers, explanations received, and so on, is the remainder of the record accepted. There is a tendency among some accountants in both countries to regard this as donkey work. It is not.

Opening balances

In both countries checking all opening balances is normally part of an audit, but in both countries it is frequently omitted.

"Eye testing"

A further time saving technique adopted in the United States audits is the eye testing of additions (footings). Where there is machine accounting and adequate internal control, additions are often tested only for large errors.

Fixed assets

A similar weakness seems to exist in both countries with regard to plant equipment, fixtures, and the like. Although auditors take immense trouble to satisfy themselves as to the existence of stocks, debtors and such items, no physical examination of plant is obligatory. It frequently happens that when an auditor or his client performs a physical check of plant, many items, sometimes quite large ones, have to be written off; to my mind, and to many others too, I believe, some regular physical test at least seems to be desirable.

Qualification of reports

Qualifications in British and American reports seem to be fairly similar, the emphasis being on clarity of the wording

*That is, by reference not only to the voucher itself but to other supporting documents where necessary.

used to describe accurately the auditor's objection. There is a tendency in the United States to deny an opinion expressly on the accounts as a whole in certain circumstances, for example if "extended procedures" are not carried out, rather than to express a qualified opinion as would probably be done in the United Kingdom.

Events occurring after balance sheet date

It is axiomatic in the United Kingdom for an auditor to examine events after the end of the accounting period; this procedure is also followed in the United States, but there is usually more time in the United Kingdom than in the United States to consider these matters before a report has to be submitted.

The respective Institutes of both countries have issued recommendations in regard to events occurring after the balance sheet date, and in both countries auditors must decide for themselves whether or not some reference should be made to exceptional events having a material effect on the accounts. It is agreed that in some circumstances mention of such events is necessary.

Miscellaneous matters

Pencil figures

It is unheard of in the United Kingdom to use pencil for schedules and accounts, whereas many auditors in the United States use pencil always. I think that there is some advantage in drafting reports in pencil but that it is dangerous for accountants to do their work in pencil and thus become accustomed to accepting pencil figures for such things as stock records, interim trial balances, costing, and the like.

Time consciousness

More effort seems to be made in the United States to save time by methods already referred to—internal control and analytical review—but others adopted include time records for each part of the audit; time budgets (which sometimes, I think, are too strictly adhered to); and client co-operation, by arranging in advance to obtain as many schedules, copies of minutes, reports, etc., as possible.

Audit files (working papers)

As soon as the audit is complete the accountant is encouraged in the United States to make notes for his or his successor's guidance the next year. This practice ought to be encouraged everywhere.

As in the United Kingdom the trial balance forms the basis of the working papers; in the United States all adjustments and reclassifications are shown on it, whereas in the United Kingdom they are rarely so shown, final accounts being indexed to the schedules. The indexing in the United States is more often done to the trial balance.

Audit teams

It is often the practice in the United Kingdom for audit teams to be split into pairs, one junior and one senior,

who work together on all procedures that lend themselves to "double handed" work. In this way the junior receives valuable instruction and explanations from the different seniors with whom he works. American accountants usually work on separate parts of the audit, even juniors (not called juniors though!) working independently but under the instructions of the senior in-charge (charge senior).

Insurance coverage

An American audit sometimes includes a survey of the insurance cover. Accountants are not experts on questions of insurance; I feel that it is useful to report deficiencies in this respect but dangerous, without reference to the company's insurance broker, to report that insurance cover is adequate.

Glossary of terms

Some accounting terms with their American equivalents are given in the appendix.

In conclusion I should like to apologise in advance to readers in both countries if I have incorrectly interpreted some of their favourite auditing theories.

APPENDIX

ACCOUNTING TERMS

<i>British term</i>	<i>American term</i>
Debtors	Accounts receivable
Creditors	Accounts payable
Gross profits	Profit from operations
Net profit	Net income
Stocks	Inventory
Valuing	Pricing
Profit and loss account	Statement of income
Profit and loss appropriation account	Statement of surplus (deficit)
Profit and loss account and profit and loss appropriation account	Statement of income and earned surplus
Exempt private company	Close corporation
Banked	Deposited
Despatched or delivered	Shipped
Schedule	Analysis
List	Schedule
Reserve	Reserve
Provision	Reserve
Transfers to reserve/provision	Provision (for reserve!)
Teeming and lading	Lapping and kiting

At the Conference of the British Computer Society at Cambridge University in June—the most comprehensive of its kind so far held in this country—papers were given and discussions held on all aspects of computers. Accountants will be particularly interested in the contribution by Mr. J. A. Goldsmith, M.A., A.C.A., A.C.W.A., on the present situation in commercial computers, and in the contributions by Mr. Anthony J. Bray, M.A., A.C.A., Mr. T. R. Thompson, M.A., B.Sc., and Mr. F. Clive de Paula, F.C.A., on auditing the computer. We give reports of these papers.

The Commercial Computer

The State of the Art

THE PAST YEAR had been one of consolidation, said Mr. J. A. Goldsmith, M.A., A.C.A., A.C.W.A. Clearly, a great deal of useful work had been done. Concerns in this country which had installed computers were now obtaining useful information from their machines. So much needed to be emphasised at the outset, because a year previously the business computer seemed to be in the doldrums. Disquieting reports had been made at that time about difficulties that had been encountered in the United States, and over here many potential users had realised, for the first time, the size of the task—and had done so before achieving a great deal.

The computers sold or delivered, continued Mr. Goldsmith, now exceeded 100, of which 76 were already installed. But the total order position had changed very little during the past year. All present orders would be virtually completed by June, 1960. There was a large potential market, but why should there be such a delay in the placing of new orders?

Reasons put forward were:

(1) Almost every manufacturer was designing a new machine, and some might be waiting to see what happened;

(2) Some potential users might be waiting to see what success others had;

(3) Some users had made the first step into punched cards using an electronic calculator, which had a lot to commend it in the right circumstances. Over 300 calculators had been ordered. These users had the opportunity to learn to centralise work, and to tackle the more advanced techniques later. In this connection, too, there should be a market for the smaller computers—for example, the Ferranti Sirius (which was actually on show in Cambridge), the Elliott 802 or the Stantec Zebra. Their main marketing difficulty was that—so far—they were not offered with a cut and dried data processing medium in the way that punched card companies offered their machines.

The main general comment Mr. Goldsmith had to make on larger computers was that, having regard to

the level of work which had been tackled, the achievements had been disappointing set against the tremendous effort involved.

On the one hand many had just attempted to have the machines take over work from clerks virtually unchanged. Some applications had been planned which did not use the facilities of the computer to the full, and some of these applications could have been done as cheaply and as economically on smaller machines.

On the other hand some of the larger installations had been installed for months and were producing little useful work. One or two of these installations were still virtually unproductive. It was to be emphasised, however, that some users had expected a period of utilisation much below capacity: they were treating the installation as a development programme and the takeover of work was deliberately being effected slowly.

However, some users had expected clerical savings in a short period and had not succeeded in obtaining them.

It was becoming clearer that for routine accounting work the cost of preparing and installing was far higher than first envisaged and there would seldom be the spectacular savings once expected—certainly not until the fully-integrated scheme was reached, and that was still a long way off.

For routine accounting the advantage of the computer would be seen to lie in:

(1) Simpler routines to administer and run—all the complex parts of the work being done in the computer;

(2) A smaller clerical force, easing the difficulties of finding a commodity already short.

Future investigations might sometimes show that the computer would involve the user in higher costs than he was incurring under his old system, but it might still be an advantage to go ahead.

As regards actual work being planned or done, payroll had been the most popular. Fifty-two businesses, accounting for about half the total installations sold, were including payroll in their programme. Some with large payrolls found it a most efficient job. But others

tackled it as a first job to gain experience, and often found the complexity and cost of installation far greater than expected.

Stock control was next favourite, with thirty-four businesses tackling some sort of stock control—usually stocks of finished goods. Particular mention was to be made of statistical methods of sales forecasting.

Seventeen businesses planned to use their computer for invoicing. There was a very large variation in the efficiency of the job. With complex discount rates, it might be a job that only clerks or a large computer could handle. However, some simpler invoicing schemes which had now been programmed could have used smaller equipment, and might even be using the computer as a mere printing machine.

Only fourteen businesses were planning to do production control by computer—a disappointing total, although in some of these businesses some excellent work was being done.

Some of the difficulties that had been met were:

(1) Some businesses had decided that they were large enough to have a computer, but did not realise that a large variety of different jobs would require a very large planning and programming effort. As a contrast, firms in market research and hire purchase required far less effort to load the computer.

(2) Coupled with staff shortage, insufficient time was available to rethink jobs properly before the computer was due to arrive. Hence, in a few instances jobs were programmed without the previous methods being altered at all, or programming became a panic measure and badly done. In general, the time to implement changes had been greatly underestimated, even aside

from the heavy task of programming.

(3) Staff organisation had sometimes been defective. Not all businesses had always employed methods-men and programmers as equal partners. The choice of poor or inexperienced programmers had in some instances delayed the installation considerably. This mistake was not sufficiently realised yet, even by the businesses themselves (which tended to blame the general difficulties of computers!).

A surprising feature was that so little use had been made of the facilities to hire time on computers for commercial work. Hiring time seemed to be a sensible method of trying out theories and gaining experience before embarking on the ordering and installation of such a costly piece of equipment. It was certainly a method followed in the scientific computer field.

Nor had there been a great demand from the smaller business, unlikely ever to justify their own big computer. The notable exceptions had been concerns where the top managers themselves had taken an interest—even in one business to the extent of writing the actual programmes. There followed naturally the last point to be made by Mr. Goldsmith: that there was still a large gulf between the ideas of senior management and what the computer people are trying to do. Managers and directors would need years to understand and accept the information they could use, and to use and trust it for control. On the other side, there was still a desperate shortage of trained people of the right calibre to provide such control information. It might be five or ten years or even longer before the computer finally emerged as a tool for management control, rather than merely an advanced accounting machine.

A report on papers given at the Cambridge Conference of the British Computer Society, under the title "Some Problems of Auditing Computing Data—Internal Audit Practice and External Audit Theory," by Mr. Anthony J. Bray, M.A., A.C.A., Mr. T. R. Thompson, M.A., B.Sc., and Mr. F. Clive de Paula, F.C.A.

Auditing the Computer

by a Special Correspondent

THOSE OF US familiar with the usual routines of auditing felt our afternoon reverie in the Arts School of Cambridge University was being abruptly shattered by the suggestion made by Mr. Anthony J. Bray, M.A., A.C.A., that in the future auditors would use a flowchart in the auditing of computing data.

At this lively session of the conference were accountants admixed with many designers and scientists discussing the problems posed to the accounting profession in

carrying out statutory audits when many of the conventional records had been replaced by magnetic tape or other devices.

The Duties and Methods of Auditors

Mr. Bray said that though the possibility of applying computational methods to the recording of business transactions was still in its infancy yet those concerned with the auditing of information and records processed

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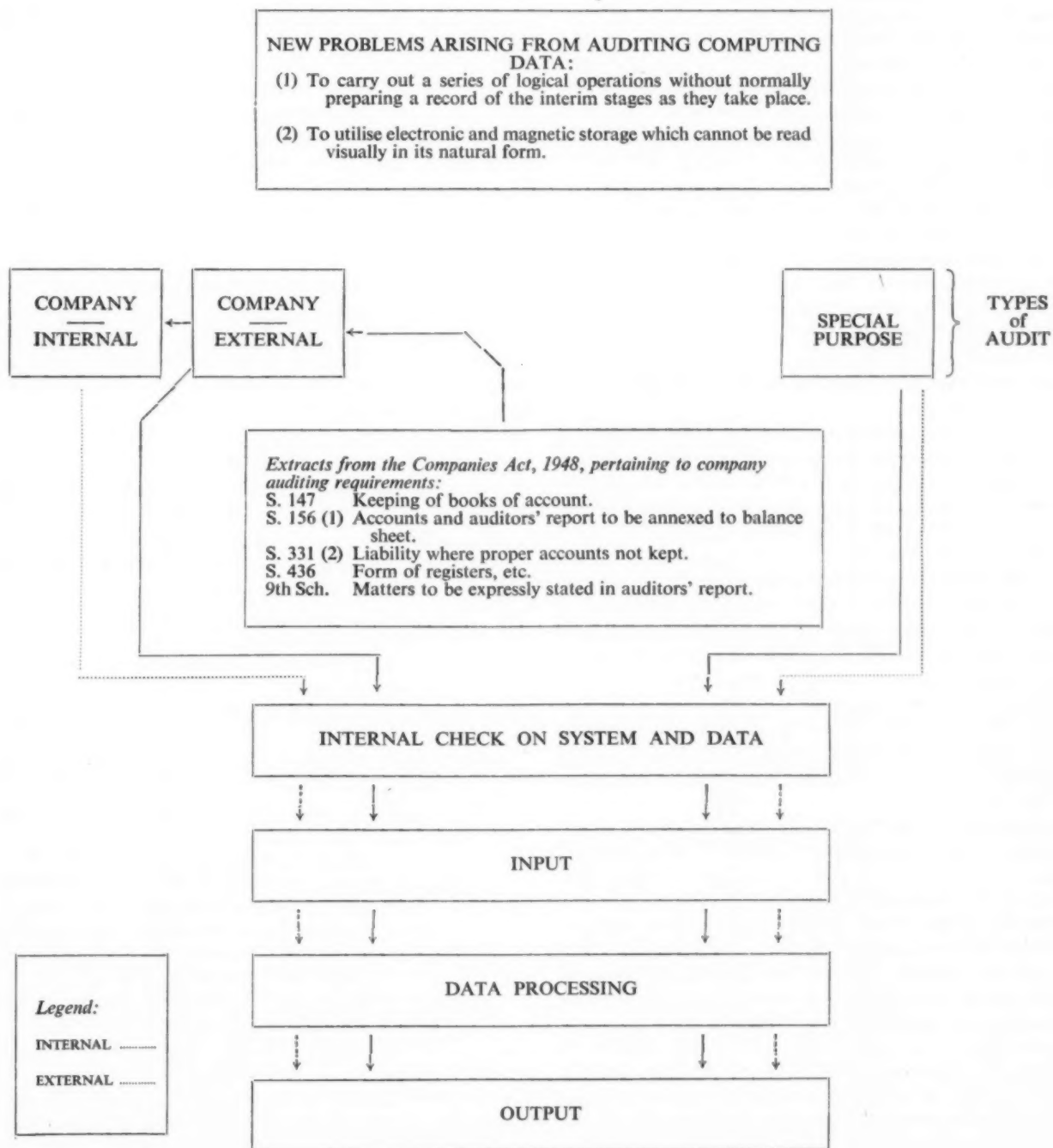
in this manner could not afford to wait until they were confronted with the problem on their doorstep. Comparatively few even of the largest nationally or publicly-owned organisations were yet using a computer operationally and in consequence general auditing experience was very limited.

To date few external auditors had needed to concern

themselves with this type of work: for this reason and because in the early days the application of auditing principles was very important, attention was drawn in the title to "external audit theory."

Though the use of computers for the recording of business transactions was developing slowly, external auditors should speedily get their hands in the machines

LOGICAL APPROACH TO THE AUDITING OF COMPUTING DATA



to discover their characteristics, capabilities and limitations before the installation of a computer commenced. It was not sufficient for the external auditor to wait until he began his audit to consider whether he was satisfied with the manner in which the records were kept. Should he not consider them adequate to enable him to give a clean report it would be extremely costly, both in time and money, even if it were possible, to go back and create a visual record of the transactions adequate for his purpose.

The work of both internal and external auditors would become increasingly complex as computer installations approached their goal of producing fully integrated systems of electronic data processing.

Noted at the top of the flowchart produced by Mr. Bray and given on page 369 are the two new problems arising from the auditing of computing data. From the normal carrying out of a series of logical operations without preparing a record of interim stages as they take place, and the non-visual storage of records, stem all the other new problems which arise.

On the flowchart the dotted and continuous lines indicated the approach to be taken by the internal and external auditor respectively.

The external auditor, said Mr. Bray, would continue, as in the past, to commence his work by reviewing the system of internal check and, where it exists, internal audit—and would carry out this review whether or not he was conducting an audit under the Companies Act, 1948.

As the internal auditor was a member of the staff of the organisation under review and was responsible for testing financial entries to discover and prevent frauds and errors, he might find difficulty, for reasons of machine time and cost, in obtaining all the programme precautions—for example, "print-outs"—he would like. Particular attention would be paid by the external auditor to the internal auditor's reports and requests in this respect and the internal and external auditor would work closely together to obtain a series of "footprints in the sand" to guide themselves and others on their way.

Both the internal and external auditor, if they were properly to discharge their duties, would require a working knowledge of programming and the electronic and mechanical characteristics of the system they were auditing.

In their logical approach to the auditing of computing data Mr. Bray suggested that auditors would apply the accepted methods, but in a different manner. Their main consideration would be the review of the overall data processing system from procedure flowcharts and the particular machine characteristics. They would expend the greatest amount of their energies in carrying out internal checks on the system and its constituent parts, rather than on checking the arithmetical accuracy of the data produced.

Particular attention would also be paid to ensuring that the system laid down was being carried out and that modifications to programmes when inserted still enabled the original plan for the preparation of "footprint"

records to be printed out or referred to. In examining each individual system of data processing they would review the separate audit implication at the input, data processing and output stages.

The major part of the work of external auditors at the present time was concerned with reporting under the Companies Act, 1948, and the Sections of the Act pertaining to auditing requirements were noted on the flowchart. Amongst these matters required expressly to be stated under the Ninth Schedule was the keeping of proper books of account, and Mr. Bray suggested that Section 436 (1) might cause the external auditor to search his conscience—and examine his legal responsibilities.

Are, he asked, electronic and magnetic storage "records" within the meaning of "... or by recording the matters in question in any other manner"? The tenor of company law had seemed to be to construe fairly narrowly the requirements of the Act, and it was only in 1948 that legal sanction validated the widespread commercial practice of keeping records in loose leaf form as opposed to within bound registers. Did, Mr. Bray went on, the Companies Act of 1948 require amendment because of the electronic data processing of business records?

If the recommendations of the English Institute in 1951 to the Board of Trade were adopted and external auditors were required under the Act to report specifically on records only when they found it necessary, through inadequacy of the records or otherwise, to do so, this legal point would appear to be satisfied.

The Internal Audit

The aims of an internal audit were outlined by Mr. T. R. Thompson, M.A., B.Sc. In his view its fundamental aims were to make sure that the office records presented a true picture of the activities of the enterprise and of the present situation. Thus the audit must make sure that:

- (1) The office procedure was satisfactory;
- (2) There was no fraud;
- (3) The office procedure was being carried out accurately.

The approach to the audit might be made in one or more of several ways:

- (i) by examining the results and checking back to the original data;
- (ii) by examining the data and checking that the correct results had been obtained;
- (iii) by examining the actual procedure carried out and checking that it was being carried out correctly—by the time honoured method of ticking;
- (iv) by examining the reconciliations and checking that the results were self-consistent;
- (v) by examining the nature of the procedure carried out to make sure it was sound for its purpose and contained adequate checks for self-consistency and reconciliation of the results.

Before computer programmes were prepared it was imperative, if a sound job was to be done by the computer, that the requirements had been defined very carefully and a specification drawn up to show how the data

would be organised and how the computer would do its job. The existence of such a specification was of great advantage to the internal auditor.

In orthodox systems such specifications were seldom available to the internal auditor when he started on an audit. He usually had to find his way through the system and determine for himself what it was supposed to do. Clearly with such an arrangement there was a great danger that the auditor would accept the system as he found it. On the other hand, the specification prepared for the computer could be reviewed before the start of the audit to make sure it appeared sound in itself and then as the audit proceeded the internal auditor could make sure it was still appropriate to current circumstances.

It was sometimes asked whether the auditor should vet the computer specification before the job was put into operation. If convenient, he certainly should, just as anyone else concerned with the system should also vet the specification. But Mr. Thompson did not think a fetish should be made of this requirement if it was not convenient to get the internal auditor's agreement beforehand.

The main interest of the internal auditor was in the provision of consistency checks and in a good programme they were all well provided for, because in the early days of computers programmers were largely recruited from people experienced in doing mathematical computing with desk machines. Anyone who had any experience of such computing would know how often errors occurred in it. Consequently, checks were imposed on the work at all stages. The practice had been continued in the preparation of commercial programmes.

The possibility of fraud lay partly in the falsification of the data presented to the office system and partly in wilfully carrying out the wrong procedure and so falsifying the results. The results of the computer could be falsified only if it was made to carry out the wrong programme. Theoretically, it could be made to do so, but even a skilled programmer would find the job very difficult. It was true, generally speaking, that with a computer fewer people needed to be in collusion in order to achieve a fraud, but the collaboration would need to be very close and very carefully planned. Almost certainly the falsification would have to apply, not to one or two items in a procedure, but to all in a given run, making the risk of detection very great.

Mr. Thompson's own view was that in practice the chance of using the computer fraudulently was negligible. Anyone seeking to defraud could more easily do so by falsifying the data. The computer programme should provide checks on the consistency of the data, but these checks could be carried out only to a limited extent, and anyone wanting to defraud would probably find ways to get round such checks as there were.

Since a computer produced much more accurate results than an orthodox office system produced even when the work was checked, the number of errors an auditor was likely to find was very much fewer. Apart from this consideration, the computer could be made to

check itself to a much greater extent with little or no extra cost by having many more reconciliation statements. Mr. Thompson produced a complete set of reconciliations for one of the weekly payrolls of J. Lyons & Co. Ltd., annotated in detail and covering some twelve square feet of paper. Because these reconciliations were produced regularly day by day or week by week for each run of the computer, the auditor could examine the trend of each figure on them and, whenever a significant change was detected, the reason could be sought to see that it was fully justified. An examination of this sort could enable the auditor to find out if the work was accurate and would bring to light any significant fraud.

If the internal auditor examined the specification when he started the audit he would see if it had been modified since the last audit. If so, he could make sure that the modifications had been properly incorporated in the computer programme. If any change in programme had been made without a change of specification, it would quickly be detected by the random sampling checks.

During the internal audit, care should be taken to see whether there were such changes in the nature of it as to indicate a change in circumstances and to justify a change in procedure and therefore in the computer programme.

The External Audit

Mr. F. Clive de Paula, F.C.A., said that there should be noted a benefit that the computer should bring to the auditor, whether internal or external—namely, the greater likelihood of accuracy in the accounting process. Human clerks got tired and became more prone to error, whereas the computer could be expected to work longer hours with less likelihood of careless or slovenly work. Once the procedures had been laid down in the computer programme, there was greater probability of identical procedures being followed than there would be if a number of individual clerks were concerned. This greater probability of accuracy and of identical procedures meant that a smaller test by the auditor was likely to prove the correctness of a greater volume of transactions.

Mr. de Paula went on to suggest that there should be noted the fairly obvious fact that the introduction of a computer did not in any way affect the value to the auditor of vouching original entries. The need of that vouching remained unchanged, and the method of doing it was unlikely to alter. In fact, the possibility of reducing the amount of routine "ticking" would enable the auditor to devote relatively longer to the more worthwhile task of vouching.

It was, naturally, still open to the auditor to take the original transactions on the one hand and the final accounts on the other, and to check that the former were correctly reflected in the latter. To do that was, after all, his prime responsibility. He could do it either by tracing a small sample of items through from start to finish, or by overall checks. By either method, it was of great importance to him that the numbering, coding, filing, and cross-referencing of the original documents should be done clearly and efficiently. It was also important to him that the computer process should be broken down

into sections each of "manageable" size, with sub-totals recorded for each section.

An important part of the external auditor's task, upon which would depend his assessment of the likelihood of fraud or error being committed, was his evaluation of the system of internal check.

The programmer might regard the finger of the external auditor in the pie as being a nuisance—but maybe one could say only *tant pis*. In any event, once the programme was completed the auditor must study it in detail to see exactly what it did, and what checks were, and were not, built into it. He must also see that it would produce the sub-totals and check figures that he would want.

When he had done this he should, perhaps, mark or "seal" the cards of the programme pack, or the programme tape, so that he had some slight measure of check on whether it had subsequently been altered. He might also insist on having a master copy of the programme tape or card pack to retain under his own control. Following this line of thought, the conference might also like to consider what other information he should retain concerning the programme. Should he keep copies of the programme flowcharts, the detailed programme sheets, charts of plug-boards and so on?

Once the programme had been finished, both the business concerned and the auditors had an interest in seeing that unauthorised alterations were not made to it. The necessary internal disciplines should be set up to ensure that alterations to the programme were approved by all concerned before being incorporated into the routines. Likewise, when regular routines were being run, there should be strict control of what programmes were being used, and when. Failing such control, it might prove difficult for the auditor to satisfy himself that in fact the programme which he agreed and checked was really used in routine operation. As part of the internal check, the programmes should be stored in a programme library, outside the control both of the machine operators and of the accounts department. Accurate records should be maintained of their issue and return, by whom, to whom, and when. Furthermore, there should be interlocking codes identifying both the programmes and the relevant data and brought-forward balances, preventing data and balances being processed except by the correct programme.

If, then, the auditor held master copies of the authorised programmes, and if the individual "runs" were cut into convenient lengths, there was nothing to stop his carrying out a controlled test, using his own copy of the programme and running the current data to see whether his "run" produced results identical to those previously produced by the client's staff.

The auditor must be prepared to carry out his tests at fairly frequent intervals, and fairly soon after the event which he was checking.

In his review of all procedures, whether computers were used or not, one of the points to which the auditor must always give close attention was how errors were

corrected. To protect the client against the danger of fraud being perpetrated under the guise of the correction of error, a strict routine must be laid for the correcting procedure. In particular, the routine should so far as possible require the co-operation of two or more people; it should be covered by full documentation: and it should be strictly followed and enforced.

In the light of the points he had raised, it seemed, said Mr. de Paula, that the auditor might have to envisage a change in the timing of his work. When he was dealing with ledgers written up by quill pens in bound leather and parchment ledgers, he could attend five or six months after the event to carry out his checks. Such delay did not matter with records nearly all of which were of a permanent nature. Now that the processing was being done with paper tapes, punched cards, and magnetic tapes and films, some stages of the processing were getting on to media which were of only a semi-permanent form. Admittedly, proper records would have to be kept to comply with the Companies Act. Nevertheless, the conference might like to consider whether or not the auditor would have to get into the habit of attending at his client's office now to check what was being done, rather than turning up afterwards to check what had already been done.

When he had mentioned the correcting of errors, he had implied, Mr. de Paula continued, that the correction should be the subject of a special routine, and that normally no errors should ever be corrected "on the spot." With a computer, however, that procedure would be impossible, because certain errors, until corrected, would cause a hold-up in a long data processing procedure. In such circumstances, it might be desirable for a routine to be written into the original programme providing for a "print out" of details of any corrections that were made in the course of a run—for example, by printing out the original record, or figure, with details of where it came from, together with details of the corrected record, or figure, with details of where it went to.

This consideration led on to the whole problem of settings on the control consol. However much the auditor might check and agree the original programme, and the interlocking controls between programme and data and brought-forward balances, he had no positive proof that the programme was in fact used throughout the whole of a given run. The consol could have been used to interrupt the programme and insert other instructions at some stage of the proceedings. Admittedly this irregularity was far from easy to carry through, but it was not impossible; and most of the really spectacular frauds had required a vast amount of patient ingenuity, which the perpetrator had considered to be well rewarded by the fruits of his labours. It would therefore seem desirable for there to be built into the computer an automatic procedure for printing out all consol settings on which the computer acted. From the audit point of view there would thus be a check that unauthorised procedures had not been inserted via the consol. There would be an equally valuable check when programme

testing, and when trying to find out why a given programme went wrong—it was not unknown for a certain amount of wild pressing of switches to take place. The “print-out” would have to be in a locked bin out of the control of the operating staff.

Reference had been made earlier to the need for the auditor to check who used the computer and for what. As part of his check on the system of internal control, he should check the normal computer room log, which should show who was in charge of the machine; what programme was being used; what data was being processed; what standing data was being amended; and when. It might also be useful to have an automatic “log” built into the machine, the output from which was recorded in a locked bin out of the control of the operating

staff of the computer, in a similar manner to that described for the control of the consol.

* * * *

A lively discussion was contributed to by many other prominent chartered accountants. The consensus of opinion was that the auditor would need to be more intimately associated with the procedures and would need to evolve techniques of controlling the overall accuracy of the system, instead of relying on a large amount of detailed checking of individual documents. It was suggested that he should also evolve statistical sampling techniques to enable him to watch trends in error factors and possibly to run sample tests on a machine other than that of his client.

In the course of a review of a recent case our contributor discusses the definition of debentures, the nature of secured and unsecured debentures and limitations of floating charges.

In the case it was held that neither the sale of a factory and cold-storage plant for £390,000 nor the sale of 675,000 shares in a similar business amounts to a disposal of a substantial part of the “undertaking” of a company.

Debentures—and their Holders’ Recourse

The Sale of the “Undertaking”

In *Levy v. Abercorris Co.* (1888, 37 Ch. 260, 264), Chitty, J., said:

I cannot find any precise legal definition [of debenture]. It is not either in law or commerce a strictly technical term or what is called a term of art.

Section 455 of the Companies Act, 1948, now defines a “debenture” as including debenture stock, bonds and any other securities of a company, whether or not constituting a charge on its assets. This is a wide definition but not every document creating or acknowledging an indebtedness of a company is a debenture. *Palmer’s Company Law*, 20th Edition, pages 368 and 369, states that “securities” (as used in Section 455) can hardly be intended to bear the wider or commercial meaning which it is given in Section 42 of the Exchange Control Act, 1947, and which includes shares. And a debenture does

not include bills of exchange, deeds of covenant and many other documents in which a company stipulates to pay a sum of money. On the other hand, a document does not fail to be a debenture because it is not so described on the face of it.

Debentures may be classified in more ways than one but for the purposes of this article they fall into two categories: (i) secured debentures and (ii) unsecured debentures. Debentures may be secured (a) by a specific charge or mortgage on particular property of the company; (b) by way of a floating charge; or (c) by both a specific charge and a floating charge. To comply with the Rules of the Stock Exchange debentures described as “mortgage debentures” must be secured to a substantial extent by a direct specific mortgage on freehold or long leasehold estate or other immovable property or

on ships, while debentures or debenture stock which constitutes an unsecured liability of a company must be entitled "unsecured" (but is sometimes described as "unsecured loan stock"). The rate of interest on an unsecured loan is usually higher than that payable on a secured debenture, but the unsecured loan has an advantage for the borrowing company in that it does not require to be registered as a charge on the assets of the company, and an unsecured loan from a lender of standing, such as an insurance company, may be an indication of the credit status of the borrower.

Floating Charge

Where a particular property of a company is specifically charged in favour of debenture holders, the company cannot dispose of it unencumbered by the charge without obtaining the consent of the holders of the charge. But where a debenture is secured solely by a floating charge the position is different. In *Illingworth v. Houldsworth* (1904, A.C. 355, 358) Lord Macnaghten defined a floating charge as:

ambulatory and shifting in its nature, hovering over and so to speak floating with the property which it is intended to affect until some event occurs or some act is done which causes it to settle and fasten on the subject of the charge within its reach and grasp.

Normally a floating charge is a charge upon the whole of the property of the company, including any which is subject to a fixed charge. The property subject to the floating charge can be dealt with by the company without consulting the holder of the charge, and may be sold, exchanged or otherwise dealt with in any way that the directors think fit. But upon the happening of certain events, which are set out in the charging deed, the floating charge "crystallises"—that is to say, it becomes fixed—and thereafter the assets comprised in the charge are subject to the same restrictions as those under a specific charge.

The effect of a debenture charging the "undertaking," or the "undertaking and property," or "all the estate, property and effects" is to create a charge of which the debenture holders may avail themselves by appointing a receiver, and which upon the winding up of the company attaches upon its property as existing at that date, but which, until then, leaves the company free to dispose of its property by sale or specific mortgage or charge while carrying on its business in the ordinary course. (*Buckley on the Companies Acts*, 13th edition, page 226.)

Sale of "Undertaking" for Shares

If a company is authorised by its memorandum of association to sell its "undertaking" for stock and shares of a similar company and to hold such stock and shares, debenture holders with a mere floating charge cannot prevent such a sale, and the sale will not make the debenture holders' security enforceable; for notwithstanding the sale the undertaking will continue (so it seems) to be a going concern, because after the sale the company will

still carry on a business—namely, that of holding stocks and shares of a similar company (*Re Borax Co.*, *Foster v. Borax Co.* (1901, 1 Ch. 326)). But the security would no doubt become enforceable if the undertaking ceased to be a going concern (*Government Stock and Other Securities Investment Co. v. Manila Railway* (1897, A.C. 81, 86)). And in *Re Borax Co.* it was suggested by Vaughan Williams, L.J., that if, on the occasion of the sale, the company entered into engagements precluding it from carrying on its main object, and thereby altered the nature of the undertaking by limiting it, the debenture holders might not be without a remedy. On the other hand, debenture holders with a floating charge only cannot prevent a company with a business carried on in three branches from selling one of the three, if the company is authorised by its memorandum of association to sell all or any of its property (*Re Vivian & Co.*, *Metropolitan Bank of England and Wales v. Vivian & Co.* (1900, 2 Ch. 654)).

Unsecured Debenture

Where the debenture is not secured by any mortgage or charge the remedy of the holder is either to bring an action to enforce the debenture and obtain judgment and then levy execution on the property of the company; or, either before or after judgment, to present a petition for the winding up of the company, or, if there be a winding up in progress, to prove in the winding up for the amount due to him, but, not having any security, he has no priority either in the winding up or otherwise; he ranks merely with the ordinary creditors. (*Palmer's Company Law*, 20th edition, page 413.) The holder of a secured debenture is thus in a much stronger position than the holder of an unsecured debenture.

Sale of Factory, Plant and Shares

Somewhat unusual problems arose recently in the course of two actions brought against T. G. Tickler, Ltd., jam and preserve manufacturers (see *The Financial Times*, March 5, 1959) by seven insurance companies and two other plaintiffs who between them held £200,000 4½ per cent. Unsecured Loan Stock, 1951/63, of the company and who sought repayment of the loan, alleging that the company had parted with a substantial part of its undertaking, contrary to the conditions of the loan issue. The issue of the loan was made in 1951 when the directors of the company wished to install a cold storage plant at the largest of its four factories at Southall to develop the use of English fruit in its products. The loan was repayable if the company sold or parted with possession of its undertaking or part of it, or if the company ceased to carry on business. The plaintiffs relied on these conditions and the defendant company on the contrast between its "undertaking" (the term in the conditions) and its "property or assets."

In December, 1954, the company closed its largest factory and in 1956 sold it and the cold storage plant to an electrical manufacturing company for £390,000. It also closed down two other factories; further, an agree-



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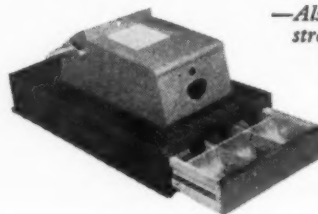
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ment was made with another preserving company—St. Martin's—whereby the whole of the existing stock of the defendant company was sold to St. Martin's in consideration of the allotment to the Tickler company of 675,000 shares of 4s. each in the St. Martin company, which had a par value of £135,000. The defendant company took a lease of the St. Martin's company's Ely factory and began production there, having closed down its own Grimsby factory which, however, was re-opened in July, 1957. During the time that only the Ely factory was producing for the defendant company the plaintiffs issued the writ which commenced the first of the two actions referred to, which was founded on the sale of the largest of the four factories of the defendant company.

The defendant company had incurred losses from 1953 to 1957 but from the beginning of the arrangement with St. Martin's began to make profits, although the plaintiffs would not have known that at the date of issue of the first writ. In December, 1957, Tickler sold its 675,000 shares in St. Martin's (representing a one-third interest in that company) and later St. Martin's assumed control of Tickler, which then continued to manufacture its products but sold them at a fixed price to St. Martin's. The plaintiffs' second action against the defendant company was founded on the sale of the 675,000 shares in St. Martin's.

Meaning of "Undertaking"

Danckwerts, J., said it was not unnatural that the plaintiffs should have felt some alarm when the defendant company was producing only at the Ely factory. So far as the plaintiffs knew, the defendant's production was very much reduced. The defendant's holding of 675,000 shares in St. Martin's gave it, in the circumstances of the case, virtual control of that company, and again it was not surprising that the plaintiffs felt alarm when that control passed out of the defendant's hands. But it seemed clear that the "undertaking" of a company meant the business carried on as a going concern. The sale of the defendant company's Southall factory was not a parting with part of the company's "undertaking." Such an extended meaning of undertaking could not be given in the case. If a company chose to sell a factory, that was not necessarily selling part of its undertaking in the ordinary sense in which the word "undertaking" was used. Consequently the plaintiffs' action must fail so far as the sale of the Southall factory was concerned. Speaking of the sale of the defendant's output to St. Martin's, his Lordship said he had found the matter difficult but had come to the conclusion that it was not giving up the business of the company or parting with a substantial amount of its undertaking to sell its output in that way. It was a change in the method of business and the business was still the manufacture of jams and preserves. Thus, the plaintiffs must fail on this issue also.

His Lordship then dealt with the second action. He said that having expressed the view that mere disposal of the defendant's property was not necessarily a disposal of part of its undertaking, he must necessarily come to the conclusion that the sale of the 675,000 shares in

the St. Martin company also did not amount to a disposal of a substantial part of its undertaking, and so the defendant company succeeded in both actions.

An Earlier Decision

The word "undertaking," however, may have a somewhat different meaning in a secured debenture, as in *Re Panama, New Zealand and Australian Royal Mail Co.* (1870, 5 Ch. App. 318), where a steamship company, having power to issue mortgages, bonds or debentures, issued mortgage debentures charging the "undertaking and all sums of money arising therefrom" with the repayment at a specified time of the money borrowed, with interest in the meantime. Gifford, L.J., said: "I have no hesitation in saying that in this particular case, and having regard to the state of this particular company, the word 'undertaking' had reference to all the property of the company, not only [that] which existed at the date of the debenture, but [that] which might afterwards become the property of the company. And I take the object and meaning of the debenture to be this, that the word 'undertaking' necessarily infers that the company will go on, and that the debenture holder could not interfere until either the interest which was due was unpaid or until the period had arrived for the payment of the principal, and the principal was unpaid."

The main interest of the Tickler case lies in the distinction which has been drawn judicially between the "undertaking" of a company and its "property or assets."

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Administration in Bankruptcy

Cancelling Gifts

THE RECENT CASE of *Re Eichholz* [1959] 2 W.L.R. 200 is of considerable interest to accountants. Briefly the facts were that the deceased, the late Mr. R. N. Eichholz, had married his second wife, who was the defendant in the case, on January 18, 1955. On February 14 of the same year he had entered into a contract to purchase a freehold house for £15,500 and had paid the normal 10 per cent. deposit. On the same day he had written to his bank manager saying, *inter alia*, that "under a contract of marriage . . . I am providing a house for her (the defendant)." Arrangements had been made with the bank to advance the purchase money to the deceased and provision made for repayment. In due course the purchase of the property was completed and the property conveyed to the wife in fee simple. About two and a half years later Mr. Eichholz died and the estate was very much insolvent—it was in fact apparent that he had been insolvent at the date of the purchase of the property. The executors applied for the estate to be administered in bankruptcy and in the meantime the defendant (the second wife) claimed the house. The trustee in bankruptcy, on the other hand, claimed that there had been no gift of the property to the defendant and that she was a trustee of it, or, alternatively, that under Section 172 of the Law of Property Act, 1925, the conveyance was voidable.

When an estate is being administered in bankruptcy under Section 130 of the Bankruptcy Act, 1914 (which re-enacted Section 125 of the Bankruptcy Act, 1883, as amended), all the provisions of the bankruptcy law are not automatically imported into such an administration. In particular, Section 42 of the Act—providing that any settlement (which includes any conveyance, transfer or disposition of property under Section 42 (4)) is voidable by the trustee

if voluntary and if made within ten years before bankruptcy, subject to certain exceptions—does not apply to an administration in bankruptcy. Such was the ruling of the Court of Appeal in *Re Gould* [1887] 19 Q.B.D. 92. At first sight this state of things may seem strange, but it must be remembered that the object of Section 130 is not to enlarge the assets of the deceased's estate, but simply to provide a satisfactory method of administration.

It was argued on behalf of the defendant in the *Eichholz* case that the doctrine established in *Re Gould* could be extended and that Section 172 of the Law of Property Act, 1925, was excluded from an administration in bankruptcy. It will be remembered that by Section 172 of the Law of Property Act, 1925 (replacing 13 Eliz. I, c. 5), a conveyance of property made with intent to defraud creditors is voidable at the instance of any person thereby prejudiced. The im-

portant points to remember are, firstly, that the Section refers to fraudulent and not voluntary dispositions and, secondly, that it does not affect the law relating to bankruptcy as such. Is it a logical conclusion, however, that the trustee could not make use of Section 172 in *Re Eichholz*? After all, when an estate is administered in bankruptcy under Section 130 of the Bankruptcy Act, 1914, is it a case of bankruptcy? Has the deceased become a bankrupt?

In *Re Eichholz* Harman, J., stated that he could see no good reason why the *Re Gould* doctrine should be applied to Section 172 of the Law of Property Act, 1925. Certainly the rights of a trustee in bankruptcy under Section 42 of the Act of 1914 were not conferred on a trustee on his appointment under Section 130, but in his Lordship's view the trustee could set aside the gift of the house to the defendant under the provisions of Section 172 of the Act of 1925.

The conclusion, therefore, is that we can safely say that Section 172 is as universal in its application today as its Elizabethan predecessor had been. It applies to an administration in bankruptcy and it demands to be read carefully.

Accountant at Large

Two Hundred and Fifty-six Bank Holidays

THE ACCOUNTANT WHO on business or pleasure finds himself really at large, outside the confines of England and Wales, discovers on occasion, and perhaps to his inconvenience, that the banks of the country he is visiting observe holidays different from the bank holidays he is accustomed to at home. Most of us are more or less consciously aware, for instance, of the

fact that in Scotland New Year's Day is, while Boxing Day is not, a bank holiday. Not so many of us could testify to the other differences across the border: that the first Monday in May is a bank holiday while Easter Monday and Whit Monday are not. That obviously makes Scotland a harder working country than England, an inference from which not a Scot amongst our

readers would dissent. Northern Ireland, on the other hand, observes all England's six holidays and adds St. Patrick's Day and July 12; while Eire, also taking our six, adds New Year's Day and St. Patrick's Day. Few Englishmen, or indeed Welshmen or Scots, would quarrel with the further inference which these facts suggest.

That such inferences can be misleading becomes apparent when we look farther afield, as we can conveniently do with the aid of one or other of the bank and public holiday guides issued by several of the overseas banks.* West Germany, for example, admits to sixteen public holidays while Albania has only four; but it would be a rash Briton who after the record of the post-war years laid any flattering unction to his soul on the strength of that sixteen, and although few of us know enough about Albania to make any very firm statements about her national character, we would hesitate before crediting her citizens with a greater love for work than our own.

We do in fact come out rather well from whatever test can be based on public holiday statistics, for Scotland's five and Albania's four seem to be almost the only better figures (or worse, according to the point of view) than our six. And for a large part of the world it is anyhow not a question of single figures at all. Spain has twenty-three holidays, although not every one of them is national: January 26, the Liberation of Barcelona, is observed only in Barcelona; St. Isidore's Day, May 15, is a holiday only for Madrid; while Valencia has two to itself—January 22, St. Vincent's Day, and April 14, St. Vicente Ferrer. In the same way Switzerland's at first sight surprising total of thirty-nine holidays includes thirty-three which are more or less localised. And as no one would dare to suggest that the Swiss are slackers, it is pleasant to see rather in these holiday arrangements yet another example of the sturdy local independence which has always made Swiss

unity so inexplicable to Switzerland's neighbours.

Outside Europe the whole matter becomes even more bewildering to the commentator from England. In Nicaragua, with twelve national and five local holidays, we find Easter continuing for five days. In Saudi Arabia Id al-fitr stretches from April 9 to April 13 and Id al-adha from June 14 to June 22. (The length of these two holidays varies amongst the Arab countries.) In El Salvador August 3, 4, 5 and 6 are bank holidays and in Afghanistan the Independence Exposition is apparently to close the banks from August 23 to August 30, inclusive.

These are bank holidays on the grand scale; indeed we may imagine the Afghan, having survived eight days without his banks, wondering whether they are really all that essential anyway. But perhaps the banks in Afghanistan are not used as much as ours. In any case the whole topic reminds us of at least one important function of the banks, the payment of bills of exchange on their due dates. It was originally this matter of payment of bills that made it necessary to have statutory authority for the banks to be shut: otherwise we might presumably have had Post Office holidays, or Civil Service holidays. The bill of exchange is not so familiar now as it was when Sir John Lubbock introduced his Parliamentary Bill to permit the banks to close on four days in addition to the two common law holidays, but in overseas trade it is still important—thus it is that the banks, or some of them, find it desirable to collate bank holiday information.

It would be interesting to know whether the bank holiday is a British invention, like postage stamps. If so our friends abroad have, not for the first time, displayed more enthusiasm than we have ourselves. But as we look at their holidays, from the St. Joseph's Day of Italy to the Day of Atonement of Israel, we remember that there were public holidays before banks were ever invented. Our own statutory bank holidays were, as was pointed out earlier, added to the customary

holidays of Christmas Day and Good Friday: and in the list of almost every country there is a mingling of days that are obviously of ancient origin and those that have been added much more recently—like Lincoln's birthday and Washington's birthday observed, with only nine days between them, in some of the United States, and the Liberation Days and Independence Days which so many countries celebrate.

And the astonishing fact emerges from all this miscellaneous information that on two hundred and fifty-six days in this present year there are bank holidays in some part of the world. January 5 was a bank holiday only in Finland; October 7 is a bank holiday in Libya (Constitution Day) and in Perth, Western Australia (Royal Agricultural Show Day); while May 1 achieves a mixed bag of seventy-one countries—including the U.S.S.R., which, it may be remarked (ending almost where we began), has five bank holidays only, all with austere names: New Year's Day, International Labour Days (May 1 and May 2), Anniversary of the October Socialist Revolution (November 7), and December 5, the U.S.S.R. Constitution Day. Any inferences offering here? Is this how they manage their sputniks?

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* One of the most exhaustive, upon which this article is based, is issued by the Guaranty Trust Co. of New York. But this year's edition is now out of print.

Business Efficiency—The Part of the Accountant

by C. I. Bostock, M.A., F.C.A.

INTRODUCTION

1. One of the difficulties which confront those who decide the subjects which are to be discussed at meetings of chartered accountants is to find ones which are of equal interest to all categories of members of the profession, whether they travel daily to professional offices, to factories, to chemical works, to mines or their head offices, to commercial institutions, to retail establishments, to the offices of purveyors of public services or just to their own businesses where they are the bosses. I hope that in the subject that I have been given the Summer Course Committee have solved the difficulty. For business efficiency must concern every category of chartered accountant to some extent. Just to take the broad distinction between those who are engaged in professional offices and those who are otherwise employed, it must be obvious that unless business in this country is run sufficiently efficiently to remain competitive the livelihood of all chartered accountants is in jeopardy. And I think that it is possible to go a stage further than this and to state unequivocally that business exists to make profits and that therefore business efficiency is ultimately measured in terms of profit. In other words, the title of my lecture comes to this, can the chartered accountant assist businesses to make profits? If the answer to this question is negative there will be an urgent need for the profession to consider how in the future it intends to keep alive.

2. In December, 1958, the Institute issued the section of the *Members' Handbook*, referenced R3, entitled *Business Efficiency: the contribution the*

accountant can make. This title differs from that of my lecture only very slightly and it has occurred to me that all that it is necessary for me to do for the rest of this lecture is to repeat what has already been said. But perhaps there is some dark significance in the choice of colon or dash, for I am not going to follow this course.

3. The Institute's publication (later referred to as *Business Efficiency*) seems to me to be an admirable document which fills an existing gap on the accountant's bookshelf. It continues the work started by the earlier publication on management accounting (*Management Accounting: An Outline of its Nature and Purpose*, June, 1954) of providing a synthesis of the ways in which accountants can help management to run their businesses efficiently and profitably. In recent years this activity of accountants has been referred to under the general title of management accounting. But the title is the newest part of the subject, which is one which has deeply concerned members of the Institute for many years. Unfortunately, the mere fact that there has to be a title—a new piece of accounting terminology—has sometimes given the impression that the whole subject is new, mysterious and highly technical. The exact opposite is the case, and in its publications the Institute has done valuable work in dispelling the aura of mysticism.

4. Management accounting has been defined as the presentation of accounting information in such a way as to assist management in the creation of policy and in the day-to-day operation of an undertaking. I should like to add that it implies an essential difference in attitude

on the part of the accountant. This point has been made on a number of occasions, but it is worth making again. For it is the attitude of the accountant—shown by his determination to produce information which is of value to management and will help in the future conduct of the business—which distinguishes him as a contributor to business efficiency rather than as a clog on management's initiative. The ways in which an accountant can help management are numerous, but very few of them require the prior acquisition of abstruse skills. It is certainly not a place for pomposity, but a little humility may go a long way.

5. At the top of the first page of *Business Efficiency* the Council has made some very pertinent remarks. These are printed in italics—which is obviously the most suitable medium for any important pronouncement about an art which was first adequately described by a fifteenth-century Italian—but in this instance the matter seems so very vital to the reader of the handbook that

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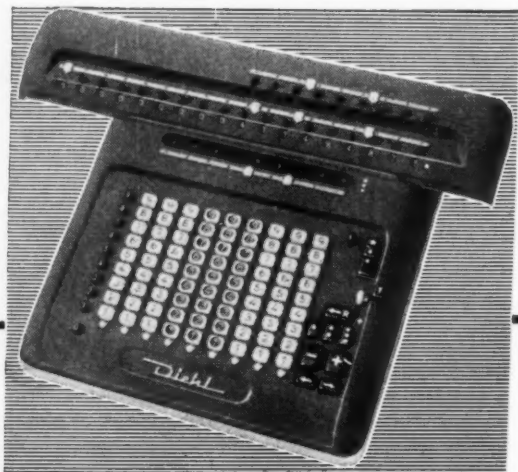


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it might have been better if it had been printed in banner headlines in red ink. This is what it says: "These notes deal with the contribution which the accountant can make towards business efficiency. The methods outlined are some of those in use today but they do not purport to be exhaustive. Nor does the Council wish to convey that finality has been reached. . . . The Council does not suggest that any one business will find suitable, or indeed could afford to use, all the methods here outlined. The Council hopes, however, that some of the suggestions will be of use in most businesses and that their adoption will lead to a fuller appreciation, in the industrial and commercial world and in the accountancy profession, of the extent to which accountants can and do contribute to business efficiency." What I have got to say is largely in extenuation of these opening remarks.

THE ACCOUNTANT HIMSELF

6. Before considering what has to be done and therefore the part of the accountant in doing it, it is worth considering for a moment the nature of the accountant himself. This, of course, includes equally those in industry and commerce and those in professional offices who are called upon to assist in the promotion of business efficiency.

7. So far as chartered accountants are concerned the consideration is greatly simplified by the fact that all have started their professional careers in the same way, through a period under training in professional offices. But I do not imagine that even the most enthusiastic supporter of our present method of training entrants to the profession would claim that the newly-qualified chartered accountant is *ipso facto* fully equipped to promote business efficiency. Generally speaking it is what happens after qualification which especially fits some accountants for this kind of work. Above all, it is essential that they should understand and fully believe that figures are only worth producing for management purposes if they can lead to management action. Presumably very few accountants in any part of their work spend time producing figures which are irrelevant and useless, but they have to produce a large number of figures which are only needed to comply with statutory requirements, to check that some other sets of figures have been accurately prepared or to prevent undesirable action on the part of third parties, such as the Inland Revenue and the Estate Duty Office. But the sort of accountant

I have to consider has, most of the time, a very simple test to apply to each and every figure which he produces: namely, will it or will it not assist in the making of profit? Thus it must be in the nature of the accountant in this context to be a productive rather than a non-productive overhead. To achieve this he must look at his art in the light of:

(a) **Producing figures for the lowest level of management which needs them** up through the management tree, as opposed to concentrating on that information which is needed for the production of final accounts. This has been referred to as accounting from "bottom-to-top," rather than from "top-to-bottom," but it is not a fully satisfactory way of making the point. In particular it is not always the case that management structures are—or should be—based on delegated authority right down to shop-floor level, yet the expression bottom-to-top implies that the accountant should always start by preparing information for the lowest levels of management. This does not in substance affect the principle that accounting systems should recognise the fact that more detailed information is needed below the boardroom than at the Board meetings, and that this detailed information is often needed more frequently and sooner after the event than the information which is needed higher up. The mere recognition of this fact can go a long way towards putting the accountant in the right frame of mind to assist in the promotion of business efficiency. This may sound as though the point is too trivial to be worth making, but I think it is justified by three facts—

First, the difference between the accountant who is a productive overhead and the one who is non-productive is more to be measured in terms of attitude of mind than in the possession of special skills.

Secondly, very few businesses can point to their nominal ledgers as the vital source of management information.

Thirdly, as a matter of history for each individual chartered accountant, his early training must have tended to emphasise accounting for the top as opposed to accounting for the bottom.

(b) **Accounting forward rather than back.** This approach again is nothing new, since from the first moment when business men began to consider how to make their fortunes, they must have been concerned with what next year's profit and loss account would look like. But an estimate of what will happen next year is normally based on what has happened in the past and, for one reason or another, it has become the job of the accountant to concentrate on producing accurate past results from which someone else—a manager or proprietor—makes an estimate of the future. (This has presumably



Mr. C. I. Bostock, M.A., F.C.A.

come about not through a division of responsibilities between manager and accountant on the work of planning for the future, but rather through the demand of absentee proprietors and tax collectors for accurate results of the past.)

As a result the word "accounting" is commonly associated only with the past. There are historical reasons for this so far as the profession in this country is concerned, but it is now necessary to understand the historical reasons and then to get away from them.

Up to the 1930's the English profession was obsessed with the doctrine of accountability. The emphasis was almost entirely on stewardship, whether accounted for successfully in annual accounts and income tax returns, or unsuccessfully in statements of affairs. It is now necessary to shift the emphasis from past stewardship, whether good or bad, to successful future stewardship. Technically there are not many changes to make, since the principles employed in the accurate forecasting of future results are to a large extent the same as those employed in the preparation of results for past periods. In particular the skill which is common to all accountants—that of double entry—is as much the key to forward- as to backward-accounting. It is not a difficult job to "fill the cup that clears today of past regrets and future fears" and, equipped, perhaps, with a book of verse and a crystal ball, to rough out the profit and loss account for next year. But the discipline of double entry will not allow the accountant to deceive himself into thinking that this is a budget. He must carry on the process and follow the earning of profit through to its effects

on assets and liabilities, and it is here that the crystal ball may let him down, unless he uses his double entry. It is possible to dream up profits, but the gold with which the streets of London are paved is seldom given away just because the effect of profit-earning on capital requirement has been overlooked.

(c) **Accounting to stimulate action rather than interest.** This follows from the previous paragraph: if accounting statements are only to deal with the past it is reasonable for the recipients to say that since the past is over the statements do not call for any action. This is neither wholly true nor the whole story for two reasons—

(i) managers of businesses often succeed in making valid plans for the future and in taking good business decisions on the basis of past results, while at the same time

(ii) it is not only statements of past results which stimulate interest but not action.

Stimulation to action is the true test of whether the attitude of the accountant is right. The kind of detailed analysis of insignificant items of expense which most accountants have at one time or another been required to produce, whether those expenses are for the last ten years or for the next five, is a good example of the kind of thing which may be of interest but does not give rise to action. The accountant must be constantly asking himself as he prepares information for presentation to management "if I was at the receiving end of these figures what should I do about them?" If the answer is any of the following—ignore them, put them in the desk for a quiet period, say I do not want them any more, get down to them and try to find out what, if anything, they have to say which is of value, or give them to my secretary to file with the others—he should record in his diary that the time spent on their preparation has been non-productive. Even if the accountant succeeds in stimulating action his task may not be over. There may still remain the stage of getting action actually taken.

THE CATALOGUE

8. I referred earlier to *Business Efficiency* as a valuable catalogue of the ways in which the accountant can help to promote business efficiency. There are 45 pages and 174 paragraphs of catalogue which are concerned predominantly with looking into the future through the use of budgets and forecasts and providing standards of comparison with which to judge the figure information produced by the accounting and recording departments of a business. It implies no disrespect of the book to suggest that it is mainly concerned with these two activities, for they are in

essence the ways in which the accountant is able to contribute to business efficiency. At the same time, the accountant is no more able than, say, the plant manager to make profits by poring over catalogues. The plant manager has to know in advance what it is that he is hoping to find in the catalogues—he has, that is, to have a clear idea before he opens the catalogue of the job that a piece of plant has to do and of the end-product that it has to produce. It should be the same with the accountant, who must be clear in his own mind that the ultimate end-product is efficiency (which in the vast majority of cases will be measured in terms of profit); but this is at times a rather remote end-product, and the accountant must also consider what intermediate results his information can produce in the minds of the people to whom the information is given, so that they in turn can take decisions which will lead to efficiency.

9. The accountant has it in his power at any time to produce such a mass of figures for the use of management—and I am talking only of potentially useful figures—that if management attempts to digest them the result will be great inefficiency due to mental dyspepsia: management will have no time left over from the consideration of the figures to get on with its proper task. Thus the problem which confronts the accountant in making use of his catalogue is not so much to find out what can be done as to decide what should be done in a particular case. Despite the Council's careful warning at the beginning of *Business Efficiency*, I feel that there is a danger that some accountants and some managers will react to the catalogue by saying "But how do I find out where to begin?" This is the major problem for the accountant and is not comparable to the problem of the development engineer or the plant manager, who will normally have from the start a clear idea of what the thing which comes out of the machine has got to look like.

THE INITIAL ANALYSIS

10. The primary problem for the accountant is one of intelligent selection, and the first step must be to study the particular business in order to find out what it is trying to do, what will determine its efficiency in doing it, and how the management can be helped in this task. I call the process which seeks to find the answers to this question that of initial analysis, and this process must start from the first principles of the

business. Some of the questions which need to be asked in the course of this analysis may seem trivial in particular cases, and there is no point in trying to produce sophisticated answers where simple ones will do. But the analyst is trying to expose the skeleton of the business and obtain a perfectly clear view of it so that his help is given where it is most needed.

11. The first question to be asked is **What does the business exist to do?** I suggest that the answer must be one of the following:

- (a) to make profits;
- (b) to provide a service at a minimum cost to the community;
- (c) to act as a philanthropic institution.

The great majority of businesses, of course, exist to make profits, and if this is the case it should be quite clear in the minds of the management. But it is surprising how many businesses are not quite clear about the reasons for their existence. The good of the community is often invoked as a reason for failing to make adequate profits, or parts of businesses are viewed as philanthropic institutions when they should in fact be seen as substantial contributors to the profit-earning capacity of the business as a whole. For example, there is often confusion in the minds of managers in research and development establishments; do they exist to make profits or provide a service or are they partly philanthropic? It is to be hoped that they normally exist only to assist some other section to make profits, but the position is not always clear. Some clear examples of insufficient definition of aims have turned up in nationalised industries; for example, do the Electricity Boards undertake contracting work to make profit on contracting, or as part of the service of distributing electricity or to promote the sales of electricity or, as some of their un-nationalised competitors have on occasion been tempted to think, as a matter of philanthropy? This is a genuine problem and the answer given will influence the rest of the enquiry.

12. The next question follows on and is much more difficult to answer—**How does the business seek to achieve its aim?** This is designed to disclose the essential facts about the operation of the business. In many cases the answer will be found quickly and will be one of the following:

- (a) by meeting as much as possible of the demand for a particular product or series of products and developments therefrom.

Example: a business making type-

writers and nothing else might have it clearly in mind that its job was to use its specialised knowledge to acquire the largest possible share of the total trade in typewriters. This immediately suggests a comparative simplicity in the aims and operations of the business and a particular emphasis on all factors which influence the actual share of the market which the business is able to obtain;

(b) by employing its specialised facilities in any profitable market that can be found.

Example: this will be the case with a foundry which may be able to produce a wide range of castings to meet the needs of different industries. Such a business must let its eye rove widely over the potential users of its products and will need help in determining the relative profitability of its different products and in deciding what mix of products will best fill its available capacity;

(c) by employing its diversified facilities to meet the needs of a particular industry or section of the community.

Example: there are many instances in the motor industry where manufacturers set out to fulfil the needs of the industry for a particular range of components, such as steering gear, brakes, electrical equipment. General engineering or other manufacturing facilities are employed to meet a variety of needs of the main assemblers;

(d) by employing diversified facilities in the most profitable manner.

Example: this is a common condition in both manufacturing and distributing trades. A retail business, perhaps owning two or three shops in a large town, will readily develop different sides to its trade if the profits seem to justify the development: ironmongers turn sections of their shops over to consumer durables, shoe shops embrace hosiery, etc. In such cases there may be a particular scope for the theory of opportunity costs.

13. Many businesses will not give an unequivocal answer to this question, often because they really do not know what they are trying to do. In other cases it will be apparent that the business is doing several things at once. The analyst must clarify the position and perhaps disclose unknown information by asking **What ancillary activities are inherent in the nature of the business?** The answer to this question should sketch out the general picture of the business by drawing attention to whether the business:

(a) manufactures only or has retail and/or wholesale sides to it;

(b) produces its own raw materials or relies on outside suppliers (i.e. castings, wood pulp, chemicals, etc.);

(c) carries out its own specialised treatment of material or puts the work outside (heat treatment, chroming and polishing, stove enamelling, etc.);

(d) does its own research and development, testing, etc.;

(e) conducts its own market research and sales promotion.

14. So far the enquiry has been preliminary and has been designed to find out what the company is trying to do and what sections there are to it. An example of what will have been discovered so far might run: The business exists to exploit the market for plastic mouldings of all kinds; it is not tied to any particular industry; it runs its own wholesale distributing side; it draws its raw materials from outside suppliers and does all the processing of the material itself; it has a small development section which works mostly to develop new products for which a market has to be created, but the section is also available to solve the problems of its major customers in the use of plastic mouldings; it relies on outside sources for major market research work.

15. This gives at once an outline of the business and may suggest the kind of help which the accountant is likely to be called upon to give. But without further investigation the picture is meagre. It is in the filling out of the picture that the analyst must seek for real clues as to the character of the business. He has to try to find out what makes the business what it is, how it functions, what its limitations are, what checks to expansion there are. It is quite rare to find anyone in a business who can give all the answers to these questions, and the person who is seeking the answers must be inspired with a real determination to find out all he can about the business. And since every business is composed of a collection of men and women in charge of certain inanimate funds and assets, the enquiry must be directed as much at the personalities in the business—what sort of people they are and how they behave and why—as at the cold facts of investment, equipment, products, etc. The people in a business are sufficiently important to be considered separately and first: the structure of the business comes a close second.

TWO VITAL CONSIDERATIONS

The people in the business

16. The literature on management accounting is much less satisfactory than that on the organisation of a business or the tasks of management, just because it is often not thought of as being directly concerned with people. But the accountant who tries to help management must, above all, take account of the people who constitute the management of a particular business

and he must have particular regard to the following:

17. **Policy and execution.** Management has two jobs to do and they are not necessarily done by different people, since the business man must often be playing two roles simultaneously. There must first be policy-makers, whose task it is to take a broad view of the objects of the business and to lay down the lines of policy to be adopted. This phrase "laying down lines of policy" is not a very good one, as the railway metaphor implies that it is a permanent way, which it often cannot be. Policy-making is not something that can be done once and for all or even once a year, as the world of business is either too dynamic or too unstable (according to an individual's point of view) to allow anything more than the broadest principles of policy to remain unchanged for very long. Boards of directors are the normal examples of policy-making bodies, and the monthly Board meeting is quite a common feature of company organisation: this implies that a company's policy needs looking at at least once a month.

18. When the policy has been laid down it must be put into effect, so that it eventually is reflected in profit and cash. The organisation chart of the normal business will contain the titles and names of many more executive than policy-making officers, because of the large amount of executive work that has to be done in anything other than a very simple business. It may be partly for this reason that the part of the accountant as an aide to executives often seems to dwarf his duties in the field of policy-making. But it is important to keep both functions clearly in mind and to recognise that not all policy originates in the boardroom, and that execution presupposes policy.

19. **Outlook.** It is important to take account of the outlook of different managers to the so-called management aids. There are three main types of managers commonly found in British business (and no doubt the types are to be found elsewhere even though the proportions in which they may be found may vary). These are:

(a) those who have learned entirely by experience (the classic British method of "coming up the hard way" and learning by apprenticeship, which has sometimes given rise to the comment that management is one of the few callings which can be undertaken without training) and have appreciated the need of management for assistance from figure information of all kinds;

(b) those who have had some theoretical

training in management, whether on a full- or part-time basis, supported by practical experience and have thus been initiated in the mysteries of modern management, including the use of figures;

(c) those who have never come to associate management with the use of figures and make no use of them.

20. In recent years there has been much interest in the use of management aids of all kinds and the part which figures produced by an accountant can play in helping management. Yet among accountants it is still a common view that it is their duty to educate management in the use of figures. If this was once true it is becoming less true now due to the increased interest which is being taken by managers in the use of figures and in training their successors. Unless accountants think hard about their contribution to business efficiency they may soon find that they have more to learn from managers than they have to teach. Increasingly it is the case that managers are demanding figures on which to base decisions and are having difficulty in finding accountants who know how to give them the information which they want.

21. Despite this change in the outlook of management, it cannot be assumed that all have the same power of digestion for figures, and it is vital to assess the capabilities in this respect of each manager. In particular it should be recognised that:

Some managers, probably most of them, want the figures to be presented in predigested form, laying bare the important facts and not distracting attention by mentioning unimportant ones.

Some managers want to do the process of selection themselves and do not like to feel that any information, however trivial, is being withheld from them.

The form in which figure information is acceptable to management is a legitimate question of taste, and the man who likes graphs, charts, percentages, moving annual totals rather than plain figures is fully entitled to have his way.

Information need not all be written: the accountant must be ready to give information orally and simply. This is particularly the case where management has formed the opinion—often justifiably—that accountants are figure factories, pouring forth their products on to an unwilling market. A few spoken words may do much to correct this impression. I am not suggesting that written reports are unnecessary. It is essential to commit most of the information which an accountant has to give to paper, particularly where the accountant is an external professional adviser. But there are times when managers feel that five minutes' conversation with the

accountant will be helpful, while some pages of figures next day will have no value. Under such circumstances the accountant must not shrink from giving information, on which action may be taken, verbally, even though he may subsequently wish to confirm it in writing.

22. **Co-operation.** Lack of co-operation within a business is a thing which it is sometimes difficult to understand, since it appears to the outsider that it cannot be other than in the interest of all to work as closely together as possible to make the business as efficient as they can. It is obvious that the management should work as a team, but at the same time there is no point in the accountant thinking that he can make a team overnight where none exists. He should work towards this end, but at the stage of analysis it is important to discover the extent to which the managers do readily work together. Where the managers meet normally and informally in the course of their work and act as a team the accountant's figures will be most effective and best used: conversely, where a business is composed of separate empires excellent information may stay unused.

The Structure of the Business

23. There are many other factors which, with that of personality, together determine what is the true nature of a business, and how the accountant may help it to become efficient. In any individual business it may be one or more of the following factors which play a predominant part:

24. **Organisation.** Is it complicated, simple, clearly defined, insufficiently defined? It is very difficult to say what part figures should play in management until the management structure has been established. Accountants who study a business to decide where their help is likely to be most needed often have to start first by drawing up an organisation chart of the business. The structure of the business, as reflected in the organisation chart, must have a great effect on the use to which figure information is put. For example, if the organisation reflects a straightforward delegation of authority with foremen, supervisors, assistant works managers, works manager, production director on the production side, then the figure information relating to production can almost certainly be designed on the assumption that one level of management only needs to have a summary of the figures relating to the level below, while the detail must go to that level. In

another case it may be obvious that the duties of operational and functional management are so interlocked that certain items have to be reported in detail to higher levels of management because they alone are able to exercise any kind of control over them.

25. **Geography.** This is not the same as structure, since a business may be complicated in structure in a simple geographical layout and vice versa. It is important to discover whether the geographical layout is such that much of the management can be done by personal contact and by word of mouth or whether it has to be done at long range. If, for example, the business is all on one site and the managers will all have occasion almost every day to meet each other either in their offices or at lunch, many fewer figures will have to be circulated than in the case of a business spread over a large area where managers meet only on formal occasions. A difficult geographical layout can easily cut off managers from each other and make them feel isolated, and in these circumstances the figures which the accountant produces may have partly to fulfil the function of a local newspaper within the business.

26. **Communications.** These are not only a question of layout and structure, but also of physical equipment and of working conditions. For example, on a large building site there will be great physical difficulties in the way of producing information about the progress of sections of the work, due to simple things like cold and dirty hands, the difficulty of keeping pieces of paper dry on a bleak hillside, the time and effort involved in getting information from one end of a large site to the other. In another instance a group of shops scattered over a wide area may be brought close together by the use of Telex or similar equipment although the distances to be traversed are considerable.

27. **Equipment.** The extent to which a business is dominated by the physical equipment used in it is an important consideration. The first question to be asked in the case of a manufacturing business is "Does the work of machines or people predominate?" In the case of an automatic factory the machines predominate and the accountant will realise that the information which management is going to need will concentrate on the efficient use of those machines, the return on capital which they show, the costs of running and maintaining them, the amount of capital which has to be locked up in ancillary

assets (stock and work in progress, tool rooms, etc.) in order to keep the machines running efficiently, etc. In another instance, where it is apparent from looking at the works and from looking at the costing and financial figures that the machines act only as an extension of the skill of the operatives, the emphasis will be on the men who work the machines rather than on the machines themselves. In such a case the accountant will think first of the needs of management if it is to exercise a proper control over labour.

28. **Brains.** There is, in every business, a valuable asset of which no evidence appears in the accounts. This is the accumulated "know-how" of the management. In many businesses what is being sold is more brains than the work of either men or machines and it can be said that the methods employed to turn ideas into facts are unimportant compared with the ideas themselves. This fact may have an important bearing on the information required from the accountant.

29. After making a broad appreciation of the importance to the business of the physical equipment which it uses, the enquiry must be taken further to consider the influence of other factors such as:

- (a) the technical skill required to operate the machines;
- (b) the flexibility of the machines;
- (c) the importance of providing a steady flow of work to the machines;
- (d) the expected incidence of obsolescence;
- (e) the extent to which the basic design of the machines determines the manning of them and the economic level of production which they can turn out;
- (f) the dependence of the machines on ancillary services, such as tool-room, maintenance services, raw material quality control, water, steam, power;
- (g) the importance of efficient handling of raw materials and part-finished and finished goods within the factory to the economic operation of the machines.

30. These factors may at first sight seem to affect only productive factories, but they are of more general application. Equipment may determine the true nature of a business in a retail store or an office or a mine, as much as in a chemical plant or an engineering works. It should be clear to the office worker who spends some of his lunch hour watching other men at work on building sites that equipment has altered altogether the nature of building and civil engineering work in recent years, so that a programme of public works now might have a much smaller effect on total employment than it would have had thirty years ago.

THE FINAL ANALYSIS

31. On the basis of the initial analysis of the business, expanded by a study of the people who run it, its layout, equipment, the technical skill involved, the support required from specialist sections of the business and other relevant factors, a clear picture of the business must be constructed showing:

- (a) the various activities concerned;
- (b) the contribution of each to the business as a whole;
- (c) the success achieved in the past in rendering these contributions;
- (d) the extent to which they are equipped to provide appropriate contributions in the future.

32. The object of the final analysis is to show the accountant to which section of the catalogue of business aids he should turn and in what order of priority he should tackle the various aspects of the business on which information may be needed. It is not possible to say how long the enquiry and analysis will take—it could be a few days or several weeks. But it is most important that the final picture built up should be clear and acknowledged by the management as *prima facie* correct. Accountants, like generals, can make false appreciations and the effects can be as serious.

33. Some of the ways in which accountants are able to help management

are better documented and more widely known than others. This is particularly true of methods of labour control based on time study and establishing standard work values for each operation against which actual earnings can be compared. There is a danger that either management or the accountant concerned may jump to the conclusion that because this approach has been helpful in some cases it is what is needed in a particular instance. But the analysis may show, for instance, that labour cost is a very small element of total cost, or that labour is very much more of a fixed than a variable expense, or that although labour cost is quite a large part of total cost it is small in comparison to some other cost, such as power or packing or distribution. The same position can arise with other aids, and the object of the final analysis is to show what is most needed by a particular management, so that the accountant can work to provide it without being side-tracked. The accountant is not only a non-productive overhead when he is providing information or keeping records which can never assist management in the making of decisions: he is equally non-productive when he is producing information which could be of great value in some instances but which does not happen to be useful in the present one.

(To be continued)

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Taxation

Double Taxation Relief and the Individual Investor

by Eric W. McDowell, F.C.A.

THE TITLE COULD cover a multitude of things, but it is not intended to deal with some of the more commonplace aspects of double taxation relief—such as the relief available to a person doubly resident, or that available to a resident in the United Kingdom with investments or income arising in Eire (or vice versa). I shall instead examine the important case of a United Kingdom resident deriving all, or some, of his income from company dividends.

As far as a taxpayer in the United Kingdom is concerned there are really four main types of companies. Firstly, the British company which has only income taxed in the United Kingdom. Secondly, the British company which pays foreign taxes abroad, and itself receives a measure of relief from United Kingdom taxation in respect of those taxes. Thirdly, the foreign company which pays all its taxation abroad. Lastly, the foreign company which makes part of its profits in the United Kingdom and itself pays United Kingdom income tax on those profits. The considerations which apply to an individual investor are different for each of these groups of companies, and I comment on each in turn.

(1) Company with only British income and (2) company with some foreign income

For a British company operating solely in the United Kingdom the United Kingdom rate of tax is 7s. 9d., and so the only consideration affecting the investor is the comparative yield as between one such company and another.

If a company carries on part of its trade outside the United Kingdom, the relief which it receives from United Kingdom tax in respect of taxes paid abroad leads to its having a "net U.K. rate," which in turn affects, or can affect, the repayment to an individual investor, with a consequent difference to his ultimate net income. In theory only Preference shareholders are adversely affected by net United Kingdom rates, since the benefit of the relief is retained by the company to the advantage of the equity shareholders, but in fact equity shareholders in turn often suffer a loss of income.

For an example let us take two companies, which are assumed to show (as they have at times actually shown) approximately the same yields on their Ordinary shares. The first company, Debenhams Ltd., trades solely in the

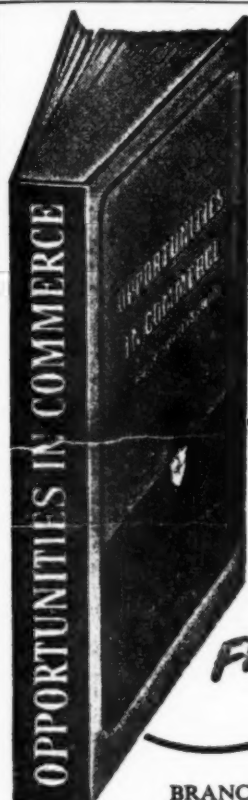
United Kingdom, and so its United Kingdom rate is the standard rate of 7s. 9d. and repayment is not restricted in any way. The other company, Burmah Oil Co. Ltd., carries on most of its trade outside the United Kingdom, and so receives very substantial tax relief: its net U.K. rate of tax is only 2s. 8d. in the £ (1958/59 rate), and any repayment to a shareholder is restricted by reference to this rate. For the purpose of our illustration we take two taxpayers (residents in the United Kingdom), each with a gross income for 1959/60 from dividends of £720. The one derives it all from a holding in Debenhams Ltd., whilst the other receives his from a holding in the Burmah Oil Co. Ltd. In working out this calculation it is assumed that both are single persons and are entitled to age relief with no other complications affecting the repayment.

Illustration (1)

1959/60 (United Kingdom residents)

1955/60 (United Kingdom residents)				Debenham	Burmah		
			£	£	£		
Dividend declared ..	..	..	720	720	
Tax deducted ..	..	..	279	279	
			<hr/>	<hr/>			
			441	441			
			<hr/>	<hr/>			
Income			720	720			
Personal Allowance ..	140						
Age Relief (2/9ths) ..	160		300	300			
			<hr/>	<hr/>			
Liability on ..	..	..	420	420	
			<hr/>	<hr/>			
	£	£	s. d.	£	£	s. d.	
Repay 300 @ 7s. 9d.	116	5	0	300 @ 2s. 8d.	40	0	0
60 @ 6s. 0d.	18	0	0	60 @ 2s. 8d.	8	0	0
150 @ 3s. 6d.	26	5	0	150 @ 2s. 8d.	20	0	0
150 @ 1s. 6d.	11	5	0	150 @ 1s. 6d.	11	5	0
			<hr/>			<hr/>	
Income tax repayment	171	15	0		79	5	0
			<hr/>			<hr/>	
Total net income retained	612	15	0	520	5	0
			<hr/>			<hr/>	

The net income of the Debenham shareholder will be £612 15s. 0d., made up of £441 of net dividends together with an income tax repayment of £171 15s. 0d. The Burmah Oil shareholder, on the other hand, although he will receive the same net dividends of £441, will obtain an income tax repayment of only £79 5s. 0d.: as a result, his total net income is £520 5s. 0d. It can be seen that there



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TWO STANDARD BOOKS*Ranking, Spicer & Pegler's***Mercantile
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and R. D. PENFOLD, LL.B
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is a difference of over 17½ per cent. between the net income of the Burmah Oil shareholder and that of the Debenham shareholder.

It was mentioned that any other complications are not being taken into account, but it must be remembered that any dividends which are subject to a net U.K. rate can be used to cover the payment of annual charges, such as ground rent, loan interest and so on, only to the extent of the net U.K. rate shown on the dividend warrant. In the case of the Burmah Oil shareholder mentioned earlier, if he had paid loan interest of £10 from which he had deducted tax at 7s. 9d. in the £ he would have had to retain in charge and account to the Inland Revenue for £10 at 5s. 1d., being the difference between the standard rate of 7s. 9d., and the net U.K. rate of 2s. 8d. It should perhaps also be mentioned that, in computing the investor's tax liability in such cases of restriction under Section 350 of the Income Tax Act, 1952 (the Section restricting repayments to the U.K. rate), personal allowances and reduced rate reliefs may be used to the taxpayer's best advantage. In any event, before advising on reinvestment any client caught in the web of such net U.K. rates, the relative merits of both the old and new securities, and the cost of reinvesting, must be taken into account.

Before leaving the "Section 350 investor" there should be mentioned the position of a resident in Eire holding such an investment. The usual procedure is for an individual resident in Eire to claim repayment of United Kingdom income tax, and then to pay by direct assessment in Eire in respect of his British dividends. The Eire assessment, however, is based on the net dividends actually received in Eire *plus* the United Kingdom repayment receivable—in other words, to the extent that there is any restriction in the British repayment, it is allowed as a deduction from the gross income arising in Britain before assessment in Eire. Perhaps an illustration will make this point somewhat clearer. Let us once again take our two shareholders in Debenhams and Burmah Oil, but on this occasion assume them each to have a total income of £600 in 1959/60, so that the complication of marginal age relief, which operates in Eire on annual incomes of over £600, is avoided.

Illustration (2)

1959/60 (Eire residents)

	Debenham		Burmah	
	£		£	
Dividend declared in 1958/59 ..	600		600	
Tax deducted @ 8s. 6d. ..	255		255	
Net dividend received ..	345		345	
U.K. repayment for 1958/59				
£600 @ 8s. 6d. ..	255	£600 @ 2s. 8d. 80		
	600		425	
Eire Tax				
Income				
Personal Allowance	£	£		
(Widower) ..	175	175		
Age Relief (1/4th) ..	150	106	281	
	275	144		

	£ s. d.			£ s. d.		
Liability	100 @ 2s. 9d.	13	15	0	100 @ 2s. 9d.	13 15 0
	100 @ 5s. 6d.	27	10	0	44 @ 5s. 6d.	12 2 0
	75 @ 7s. 0d.	26	5	0		
		67	10	0		25 17 0
Total net income retained ..		532	10	0		399 3 0

Thus, the Debenham shareholder receives net dividends from the company of £345 together with a repayment from the British Revenue of £255, and has then a liability in Eire of £67 10s. 0d. The Debenham shareholder's net income is thus his gross British income of £600 *less* Eire taxation of £67 10s. 0d.—namely, £532 10s. 0d. The Burmah shareholder also receives net dividends of £345. However, he receives a repayment from the British Revenue of only £80—that is, £600 repaid by reference to the net U.K. rate of 2s. 8d. in the £ instead of by reference to the standard rate for 1958/59 of 8s. 6d. There is thus a restriction in the repayment of £600 at 5s. 10d., or £175, and this amount is deducted from the gross British dividends for assessment in Eire, so that the Eire assessment is on £425, resulting in a net Irish liability of £25 17s. 0d. Our Burmah Oil shareholder has thus received net dividends from the company of £345 plus a British repayment of £80, but has suffered Irish tax by direct assessment of £25 17s. 0d., leaving a total net income of £399 3s. 0d. It will be seen that there is a difference of approximately a third between the net income of £399 3s. 0d. of the Burmah Oil shareholder resident in Eire and that of £532 10s. 0d. of the Debenham shareholder resident in Eire.

(3) Foreign company without British income

Consider now the foreign company. Double taxation relief arising out of various international agreements in recent years has greatly increased the volume of investment abroad in countries such as the United States of America, Canada, Sweden, South Africa and Rhodesia, to name the most popular. Most investors, if they had the whole world to choose from, would probably like to invest some part of their funds in the United States; it is well to remember that a stock paying a dividend of \$5 quoted in New York at \$100 giving an apparent yield of 5 per cent. may in fact give a gross yield before taxation to a United Kingdom resident of 11 per cent. or 12 per cent. I will return to this point later, but it will probably be seen emerging if I now recapitulate the rules governing the actual mechanics of making double taxation relief claims.

Where dividends are received from foreign companies a taxpayer may claim:

- Treaty relief under Section 347 of the Income Tax Act, 1952, and Schedule 16 to the Act; or
- Unilateral relief under Section 348 of the Act and Schedule 17 to it.

Only one of these alternatives will be available—which of the two depends on whether the foreign country has entered into a double taxation agreement with the United

Kingdom. The third possibility is:

- (c) That the foreign taxation incurred be allowed as a deduction from the income for the purposes of assessment to U.K. tax, as provided for in Section 132 of the Income Tax Act, 1952.

Now, as has just been said, the taxpayer can refrain from exercising his right to claim treaty or unilateral relief, and can merely deduct any foreign tax from the amount of foreign income when computing the amount assessable to U.K. tax. Usually, however, it will be more beneficial to claim relief, as will be seen from some of the examples below.

Treaty relief is available for income from most Commonwealth countries (except India, and, as regards company dividends, South Africa) and from many foreign countries, including the United States, and is designed to ensure that the foreign income is taxed once only at the United Kingdom or the foreign tax rate, whichever is the higher. Relief is given by way of deducting a tax credit for the foreign tax from the United Kingdom tax payable in respect of the same foreign income. The foreign tax may include both "direct" tax on the dividend, and "indirect" tax on the company profits, but most treaties provide that the tax credits in respect of "indirect" tax shall be given only in respect of Ordinary dividends, or the participating part of Preference dividends. Relief, however, is restricted to the lower of:

- (a) The foreign rate of tax; or
(b) The taxpayer's effective rate.

Now as regards the foreign rate of tax it will be apparent from the dividend voucher if any foreign withholding tax has been deducted from the dividend declared, but it is not possible to see from the voucher what rate of tax has been paid on the underlying profits. For the foreign rate of tax therefore, one must rely on obtaining the rates from the Inspector of Taxes, or from a reference book, published by the Stock Exchange, known as the *Supplement to the Stock Exchange Weekly Official Intelligence* (issued twice a year at 1s. each number).

A taxpayer's effective rate is the total income tax payable on his statutory income after deducting any charges (taking Section 201 relief—see later in this article—into account, but before deducting life assurance relief, or treaty relief) divided by the amount of his statutory income, *plus* the surtax payable for the year divided by the total income for the year. The amount of the foreign dividend to be included in this computation of the effective rate is the amount of the dividend before the deduction of foreign tax chargeable *directly*, or deducted from

the dividend (Income Tax Act, 1952, 16th Schedule, paragraph 8 (4a)). This provision greatly simplifies the computation, as the gross foreign dividend for United Kingdom tax purposes may depend upon the effective rate itself.

Before 1953/54 unilateral relief was restricted, but from 1953/54 onwards has been based on the lower of either the foreign rate of tax, or the taxpayer's effective rate. The only practical difference so far as concerns unilateral relief is that, in general, the tax credit allows only for direct foreign tax, and not for indirect taxes paid by the company on the profits underlying the dividend. Indirect tax is taken into account where the paying company is resident in a Commonwealth territory or is controlled by a company resident in the United Kingdom.

The actual method of computation of both treaty relief and unilateral relief is similar, so perhaps one illustration will suffice for both. Take the case of a person having 200 Ordinary shares in Imperial Tobacco Co. of Canada Ltd. In practice it is convenient to list on a separate schedule the details of holdings subject to double taxation relief, because once the vouchers have been sent away to the Inspector to support the claim there is no way of checking the computation unless one has all the relevant details. The schedule would appear as in Illustration (3).

The figure shown in the first column (the provisional U.K. gross) is the one which must be included in the income tax return pending any computation of double taxation relief. In this connection, it is sometimes very difficult to find the provisional gross in respect of South African dividends, but care should be taken to make sure that the correct figure does go on to the actual return form. In our illustration the total of the net dividends received in the United Kingdom comes to £42 1s. 11d., and let us assume that the individual taxpayer has an effective rate of 6s. 4d., whilst the rate paid by the company for 1957/58 was 10s. 8d. The relief will, therefore, be restricted to the taxpayer's effective rate of 6s. 4d.

	£	s.	d.	£	s.	d.
Net div. received United Kingdom ..	42	1	11			
To gross @ 6s. 4d.		19	10	3		
Revised U.K. gross and tax @ 8s. 6d.	61	12	2	26	3	8
Less Tax credit				19	10	3
Tax payable				6	13	5
„ paid				11	7	4
Repayment				4	13	11

Illustration (3)

Date Declared	Provisional U.K. Gross	Dividend Declared	Withholding Tax	Net Dividend Received in U.K.	U.K. Rate	U.K. Tax	Dividend Received by Shareholder
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	s. d.	£ s. d.	£ s. d.
20/6/57	10 2 10	9 7 11	1 8 2	7 19 9	4 3	2 3 2	5 16 7
20/9/57	10 0 0	9 5 3	1 7 10	7 17 5	4 3	2 2 6	5 14 11
20/12/57	9 15 0	9 0 8	1 7 1	7 13 7	4 3	2 1 6	5 12 1
20/3/58	23 11 4	21 16 8	3 5 6	18 11 2	4 3	5 0 2	13 11 0
	53 9 2	49 10 6	7 8 7	42 1 11		11 7 4	30 14 7

The revised U.K. gross of the dividend on this holding is £61 12s. 2d., involving an addition for U.K. tax purposes of £8 3s. 0d., being the difference between this figure and the provisional U.K. gross originally returned of £53 9s. 2d. In practice the income tax liability on this is fully accounted for in the computation of double taxation relief, and this addition is of importance only for surtax purposes. In the illustration just given the taxpayer is not liable for surtax, and so the net dividends which were received during the year 1957/58 of £30 14s. 7d. were increased by a repayment for double taxation relief of £4 13s. 11d.—that is to say, a net increase of 15 per cent. in the income from that source. Let us suppose, however, that the facts are the same, but that the taxpayer's effective rate is 10s. in the £ and so repayment is still restricted to the taxpayer's effective rate and not to the company rate of 10s. 8d.

	£	s.	d.	£	s.	d.
Net div. received United Kingdom ..	42	1	11			
To gross @ 10s. 0d.	42	1	11			
Revised U.K. gross and tax @ 8s. 6d.	84	3	10	35	15	8
Less Tax credit				42	1	11
Tax payable				-6	6	3
„ paid				11	7	4
Repayment				17	13	7

In this event, however, there would be a surtax addition of approximately £30, being the difference between the revised U.K. gross of £84 3s. 10d. and the provisional U.K. gross of £53 9s. 2d. The individual surtax rate would depend of course on the personal circumstances of the taxpayer, but it would be possible for an individual with an effective rate of 10s. to be paying surtax at only about 4s. 6d. in the £. Such a surtax payer would therefore subsequently have an additional surtax liability, as a result of the double taxation repayment, of £30 at 4s. 6d., or £6 15s. 0d. The net additional income due to the repayment claim for double taxation relief would thus be reduced to £10 18s. 7d.; nevertheless, there is an increase of approximately 35 per cent. on the net income which the taxpayer previously received by way of dividend from the company. As shown below, his retained net income, after payment of surtax, would rise from £18 16s. 1d. to £29 10s. 2d., an increase of nearly 60 per cent.

Assuming 10s. effective rate	No D.T.R. Claim £ s. d.	D.T.R. Claim £ s. d.
D.T.R. repayment ..	—	17 13 7
Net dividend received by shareholder ..	30 14 7	30 14 7
	30 14 7	48 8 2
Less Surtax £53 @ 4s. 6d.	11 18 6	£84 @ 4s. 6d. 18 18 0
Net income retained by shareholder	18 16 1	29 10 2

Now it is stressed that each set of circumstances, or each case, should be looked at individually, but from some experience of working with these claims for double taxation relief, both where the income has originally borne provisional United Kingdom tax, and also where it has been remitted direct to this country without passing through a United Kingdom paying agent, it may, in general, be said that no matter what the individual's effective rate, or surtax rate, it will always be more beneficial to claim double taxation relief than not to do so. There are just two exceptions to that statement. First, a foreign dividend is frequently paid through a United Kingdom paying agent, who deducts United Kingdom tax at a provisional rate. This provisional rate may be more or less than the rate of tax applicable to the individual shareholder's effective rate. Now if the individual's effective rate is more than the provisional rate, then a repayment is due, but if it is less, then too much relief has already been given in the provisional rate. In other words, if the provisional rate has given relief of 4s. 3d. in the £ and the individual taxpayer's effective rate is only 2s. 3d. in the £ then 2s. in the £ has been over-allowed. However, in that event, one will probably be making a repayment claim anyway to the Inspector of Taxes, and in computing the ordinary repayment he will automatically take into account any over-allowance of double taxation relief.

The other exception is where the taxpayer is entitled to claim age relief, but his income is such that marginal age relief operates. In such circumstances it will probably be found more advantageous to claim, under Section 132 of the Income Tax Act of 1952, that the foreign taxation incurred shall be allowed as a deduction from the income for the purposes of assessment to United Kingdom tax. In this case, then, the actual dividend received in the United Kingdom comes into the computation of the statutory income and no further claim for double taxation relief is made. Any case to which marginal age relief and double taxation relief may be applicable, should be looked at most carefully to see whether it is beneficial to claim both of the reliefs and, if only one, which of the two.

(4) Foreign company with some British income

Now for the fourth group of companies—namely, foreign companies which derive part of their profits from United Kingdom sources, and so have borne United Kingdom income tax. Relief is due to these companies under Section 201 of the Income Tax Act, 1952. It is not proposed to comment on how the companies do in fact receive this relief; it is sufficient to say that if the relief is appropriate, it is indicated in the *Supplement to the Stock Exchange Weekly Official Intelligence*. The effect of the Section is that a shareholder who is resident in the United Kingdom and receives a dividend from such a company can claim income tax relief in respect of a certain proportion of the dividend. Such a claim, however, does not have any effect in reducing the total income of the taxpayer, and he remains liable to surtax on the full amount

of the dividend, which must therefore be included in his return. Frequently the United Kingdom paying agent will give relief in respect of the appropriate fraction in paying the dividend, and it should be noted that any taxpayer who takes a short cut method of grossing up his net dividends, in total, at the standard rate will, in these circumstances, produce an incorrect gross figure for surtax purposes.

It is frequently possible to claim both tax credit relief (double taxation relief) and Section 201 relief. Until recently, where the taxpayer's effective rate (as opposed to the company rate) was used to gross dividends for the purposes of tax credit relief, then Section 201 relief was not taken into account, as any such relief resulted in a corresponding diminution of the tax credit relief. This consequence had followed from paragraphs 2 and 11 of the 16th Schedule to the Income Tax Act, 1952, by which the total relief (both by way of tax credit relief and Section 201 relief) was to be restricted to tax on the revised gross of the dividend, calculated at the taxpayer's effective rate. (Where the company rate had been used to regross, both reliefs could effectively be given, subject to the overall restriction mentioned.) Recently, however, the Inland Revenue authorities agreed to a revised method of computation, where both tax credit and Section 201 reliefs are available. The new procedure is as follows:

- (i) In computing the taxpayer's effective rate of United Kingdom tax, the Section 201 relief is to be taken into account.
- (ii) The limit on the total of tax credit and Section 201 reliefs is to be income tax, at the standard rate less the Section 201 fraction of that standard rate, *plus* surtax, at the average rate charged on total income.
- (iii) The addition for foreign tax to the income received by the taxpayer is to be the amount relieved by tax credit, and no more.

Once again, an example may help.

Illustration (4)

Company rate for 1958/59	s. d.
(and one-quarter under Section 201)	9 2
Taxpayer's effective rate	10 0
Taxpayer's average surtax rate	3 0

First, the "limit of total credit rate" must be computed.

Standard rate of income tax	s. d.
Less Section 201 relief: one-quarter of 8s. 6d. ..	8 6
	2 1
	6 4
Average rate of surtax	3 0
	9 4

As the "limit of total credit rate" is less than the effective rate, it is the rate which is used, for the rule is that there should be taken the lower of the individual's "effective rate" or his "limit of total credit rate."

	£	s.	d.	£	s.	d.
Net dividend received in United Kingdom in 1958/59	100	0	0			
To gross @ 9s. 4d.	87	10	0			
Revised U.K. gross and tax @ 8s. 6d.	187	10	0	79	13	9
Less Section 201 relief (one-quarter)				19	18	5
				59	15	4
Less Tax credit				87	10	0
Tax payable				27	14	8
.. paid (On £117 13s. 0d. @ 5s. 6d.)				32	7	0
Repayment				60	1	8

The addition for surtax will be £69 17 0 (£187 10 0—£117 13 0)

It is clear that the new procedure gives increased relief to the taxpayer, but a separate calculation of the "limit of total credit rate" will now be needed for each dividend to which Section 201 relief applies. However, in practice, Section 201 relief applies to only a very small percentage of foreign companies.

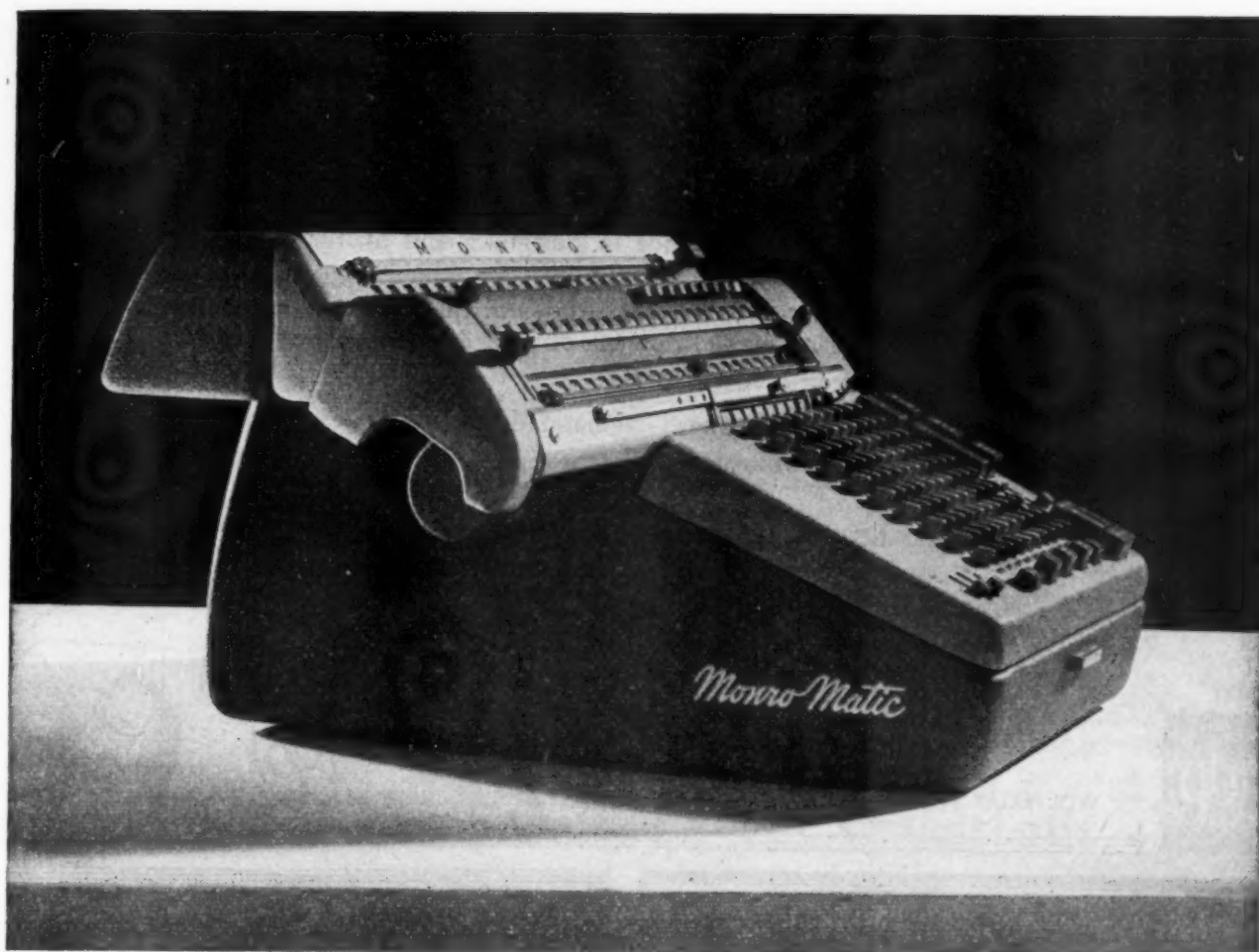
Earlier it was mentioned that a British investor, holding an American stock with an apparent yield of 5 per cent., might in fact receive a gross yield, before taxation in the United Kingdom, of 11 per cent. or 12 per cent. This is a situation which obtains if the foreign company rate exceeds the British taxpayer's effective rate of 12s. in the £. It is useful to know that if the grossing rate, whether it be the individual's effective rate, or the foreign company rate, is 7s. 6d. in the £, the increase on the apparent yield is approximately one-third; if the rate is 9s. the increase in the apparent yield is over a half; by the time it has reached 11s. 6d., the true gross yield is exactly double the apparent yield; and if the rate has risen to 12s. 6d., then the true gross is approximately two and a quarter times the apparent yield.

We have been referring to the true gross yield before taxation, as compared with the apparent yield before taxation. What seems to be the most important aspect to an individual investor, however, is what net income he retains after paying all taxes. From experience, it may be said that the higher the rate being used to regross the dividend, then the greater is the proportionate increase in net income retained by the shareholder. An example on this point follows:

Illustration (5)

If double taxation relief not claimed for 1959/60

	£	s.	d.
Dividend declared in U.S.A.	100	0	0
Less 15 per cent. withholding	15	0	0
	85	0	0
Less United Kingdom tax @ 4s. 9d.	23	15	0
Net dividend received by shareholder	61	5	0
Less Surtax £100 @ 7s. 6d.	37	10	0
Net income retained by shareholder	23	15	0



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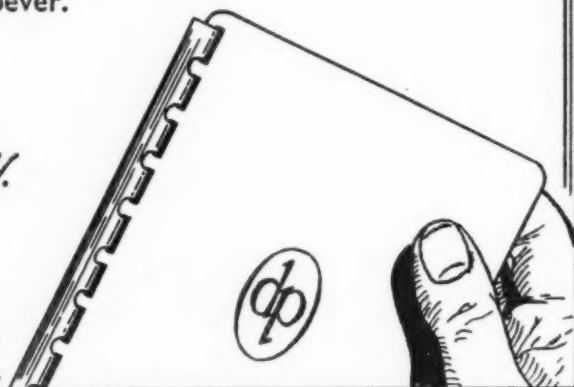
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If double taxation relief claimed for 1959/60

	£	s.	d.	£	s.	d.
Net div. received United Kingdom ..	85	0	0			
To gross @ 12s. 0d. ..	127	10	0			
Revised U.K. gross and tax @ 7s. 9d.	212	10	0	82	6	10
Less Tax credit ..				127	10	0
Tax payable ..				45	3	2
paid ..				23	15	0
Repayment ..				68	18	2
Net dividend received by shareholder, as above ..				61	5	0
				130	3	2
Less Surtax £212 10s. 0d. @ 7s. 6d...				79	13	9
Net income retained by shareholder..				50	9	5

It will thus be seen that, by making a claim for double taxation relief, the net income retained by the shareholder has been increased by approximately 110 per cent. The

proportionate increase on a dividend regressed at a lower rate would naturally be much less, although the actual increase in the net income retained by the shareholder might be more.

The title of this article is "Double Taxation Relief and the Individual Investor." I have tried to show that the individual investor, ignoring political considerations altogether, may derive considerable financial advantage from investing some or all of his capital abroad. Double taxation relief represents the jam on top of the bread and butter of the investor's dividend, and it behoves accountants, as a profession, to ensure that he does in fact obtain the jam. He can obtain it only by making the appropriate double taxation relief claims. The matter has been somewhat neglected by many of us in the past, on the ground that it was either too insignificant, or too troublesome, to worry about. I have tried to show that it is not too insignificant, and despite any complexities which may have appeared in this article, once one is working with this subject, it will be found that the actual computations can be done and checked surprisingly quickly.

The Cotton Scheme—Tax Questions

WE HAD AN article in our June issue (page 319) on various tax implications of the cotton reorganisation scheme (more details of which are now available—see a Professional Note on page 353 of this issue). There is nothing to add to what was said in our earlier article under the heads of compensation contributions, employees' compensation and re-equipment grants. The question of compensation receipts by businesses may, however, now be treated more fully.

Before compensation is paid, the plant must be scrapped. The Orders define scrapping. The exact moment of scrapping is one of fact and is important. Careful records should be kept of the dates when the plant is put out of use or scrapped. The importance of times has been illustrated in the case of *Bennett v. Rowse* (see page 406 of this issue of ACCOUNTANCY); in that case one aircraft had been destroyed at about 3.20 p.m. on March 12, 1950, and the appellant gave instructions that

the other aircraft he let out on hire should be grounded. By a letter dated the same day and signed the next day, he ceased to hire aircraft. It was decided that the appellant's trade did not cease at the moment when the one plane was destroyed but at some time thereafter.

Balancing charges and allowances will arise in respect of plant scrapped or dismantled. Readers will recall that the Sixth Schedule, Finance Act, 1952, provides that a balancing charge or allowance arises on:

- (a) any event occurring after the setting up and before the permanent discontinuance of the trade whereby the plant ceases to belong to the person carrying on the business, whether on a sale of the plant or machinery or in any other circumstances of any description (including gifts, thefts, etc.); or
- (b) any event occurring before the permanent discontinuance of the business whereby the plant (while continuing to belong to the person carrying on the business) permanently

ceases to be used for the purposes of a business carried on by him; or
(c) the permanent discontinuance of the business, the plant not having previously ceased to belong to the person carrying on the business.

If an event falling within (a) to (c) above is followed by another event falling within those three paragraphs, the latter event does not give rise to balancing charges and allowances. In respect of each client, accountants must be careful to see whether (a), (b) or (c) above applies.

Whether scrapping or permanent discontinuance of trade occurs first is a question of fact which may have an effect on the charge or allowance which is made. The amount to be brought into the computation as the "sale" price, where the event is the demolition or destruction of any property, is the net amount received by the taxpayer for the remains of the property together with any compensation which consists of capital sums (Section 333, Income Tax Act, 1952). Where the event is the per-

manent discontinuance of a trade and at or about the time of discontinuance compensation is received, that compensation will be the "sale" price, unless such sum is less than the open market price, when the latter must be treated as the "sale" price. The open market price is the price which the plant would have fetched if sold in the open market at the time of the event in question (Sixth Schedule, Finance Act, 1952).

The compensation payments from a redundancy fund will not be taken into account for the purpose of arriving at the balancing charge or allowance.

As indicated in the second para-

graph of the article in the June issue, the compensation payments may be liable to tax under Section 463 of the Income Tax Act, 1952. Where the amounts received from the fund exceed the contributions to it, however, relief can be claimed in respect of the proportion of the excess which the compensation for damage not attracting income tax relief (for example, loss of goodwill) bears to the total compensation (Section 465 (2), Income Tax Act, 1952). To the extent that the receipts represent compensation for losses for which income tax relief can be claimed, they remain taxable. The amount taxable may be covered, however, by the

balancing allowances arising on the plant scrapped. In next month's issue, we propose to illustrate this matter.

Following the comment in the article in our June issue, that the cotton scheme contained no provisions relating to new buildings or expenditure on modernising buildings, it is interesting to note that the Earl of Dundee in the House of Lords stated that the Government did not think it was justified in making grants for the erection of new factory buildings when the industry would be relieved of the drag of redundant plant and machinery.

Should Overheads Be in Work-in-Progress?

THE JUDGMENT OF Vaisey, J., in the recent *Duple* appeals seems to have given rise to a good deal of misunderstanding. An attempt is made below to summarise what was decided. It will be seen that it is wrong to take the case as a charter for the valuation of work-in-progress by way of direct costs without the addition of overheads. Indeed, the circumstances of the appeals and the way they were decided were of a very particular nature, so that it would seem to be a mistake to draw general conclusions from the judgment at all.

Before the Special Commissioners, the company had appealed against assessments to income tax under Case I of Schedule D and assessments to profits tax. It contended that in arriving at the cost of work-in-progress for the purpose of computing the profits of the company for tax purposes, only the cost of direct materials and labour (direct cost) should be taken into account, whereas the Revenue maintained that there should be added to the direct cost a proportion of indirect expenditure

(oncost). The company and its predecessors had used the direct cost method since 1924.

The company carried on the trade of building bodies on motor vehicle chassis, mostly motor coaches. Almost entirely the bodies were built to the specifications of the individual purchasers, and work-in-progress included but few finished bodies.

It was common ground between the company and the Revenue that there was no question that work-in-progress should be valued at market value, as it could not be regarded as saleable in its unfinished state.

Before the Special Commissioners, two chartered accountants gave evidence for the company (one being Mr. H. W. Sydenham, F.C.A., its chairman) and one for the Revenue. In addition, there was produced in evidence the *Recommendations on Accounting Principles* issued by the Institute of Chartered Accountants in England and Wales.

The Special Commissioners decided "in principle" in favour of oncost. Both the company and the

Revenue expressed dissatisfaction.

When the appeals (*Duple Motor Bodies Ltd. v. Ostime (H.M.I.T.)*; *Ostime (H.M.I.T.) v. Duple Motor Bodies Ltd.*; *Duple Motor Bodies Ltd. v. C.I.R.*; *C.I.R. v. Duple Motor Bodies Ltd.*) were heard by Mr. Justice Vaisey, he perceived difficulties arising from the findings of the Special Commissioners in the case stated. The Special Commissioners found that the accountancy profession as a whole was satisfied that either direct cost or oncost would produce a true figure of profit for income tax purposes. They also found that: "in this state of affairs . . . it is very much a matter of policy for the decision of the directors of a company which method should be used."

Vaisey, J., considered it was impossible to reconcile these findings with the final decision of the Special Commissioners. Their decision "in principle" in favour of oncost was inconsistent with their finding that it was for the directors to choose the method to be employed. His Lordship wondered whether he should

remit the case but decided he could not. He said:

The way in which the case has come before me is most unfortunate, and I have wondered whether the proper course might not have been to send it back, but, on reflection, I could not quite see what direction I could give to the Special Commissioners if I did send it back. I cannot very well tell them that their own opinions are irrelevant to the present problem. I cannot very well tell them that their case is inconsistent in itself and ought to be redrafted from top to bottom;

that would not be polite, and I do not think it is any business of mine to tell them any such thing. I cannot quite see, if the Commissioners had the case back, what they could do or what they would try to do. Would they try to withdraw their findings of fact or their conclusions of law? Would they try to reconcile what I think are the irreconcilable passages in the case, and, if they did try, would it be within their proper power to make the attempt?

I think the case stated is one which I must accept as regards the findings.

I do accept it and I think that the result is that this appeal by the company must be allowed.

If the case had been handled differently by the Special Commissioners, it might have established a ruling for the valuation of work-in-progress by a particular method or by particular methods. But as the case went, no such general ruling can be derived from it; we understand, however, that the Revenue is appealing.

Bond Washing

SOME READERS OF ACCOUNTANCY have asked for an explanation of the type of "bond washing" attacked by the new Finance Act. There are three main classes of bond washing. The underlying feature of each, however, is that the cum dividend price of a security includes only the dividend or interest accrued to date, whereas the ex dividend price is calculated by deducting from the value, including the accrued dividend or interest, the full amount of the next dividend. In normal circumstances equity is thus provided for all parties.

Illustration

Suppose there is a 6 per cent. security which, apart from accrued dividend, would be worth £120 per £100 nominal in the market, interest being payable on June 30 and December 31. Ignoring changes in value for any reason other than accrued interest and, for the purpose of simplicity, ignoring tax, £10,000 stock would be worth (calculations in months):

On	£	£	£
January 31 ..	12,000 + 50 =	12,050	
February 28 ..	12,000 + 100 =	12,100	
March 31 ..	12,000 + 150 =	12,150	
April 30 ..	12,000 + 200 =	12,200	
May 31 ..	12,000 + 250 =	12,250	

That is, on May 31, the security

would be quoted at 122½ cum div.

As the buyer on May 31 would get the whole £300 interest on June 30, everyone would be satisfied. The vendor would have, in the selling price, the value of the stock and the accrued interest to the date; the buyer would acquire the stock at its real value, excluding interest, but would also have the interest for the month of June (being £300 less the £250 included in the price of the stock). The Inland Revenue would have no grouse; they would have their tax through the provisions for deduction at source or, where relevant, by a Schedule D, Case III, assessment on the buyer. There are provisions for preventing material over-payment or under-payment of surtax in such cases.

If on June 1 the above stock were to be quoted ex dividend, the quotation would be £12,000 + £250 = £12,250 = £11,950, i.e. 119½. The idea of a quotation ex dividend arises from the fact that a buyer acquiring the stock after a certain date will not be registered in time to receive the next dividend or interest. So a buyer on June 1 would pay £50 less than the stock itself was worth, thus giving him his interest for June. The seller would get £11,950 + £300 = £12,250,

the value of the stock plus the interest to June 1.

The bond washing under discussion involves the purchase of the stock cum div. and the almost immediate sale ex div. in the circumstances now illustrated.

Illustrations

Purchase of £1,000,000 6 per cent. stock at 120 cum div. (including five months' interest less tax); sale next day at 118½ ex div.

	£
Cost	1,200,000
Proceeds of sale	1,182,500
Loss on deal	17,500
Dividend received	£18,375
(Gross £30,000)	

(1) A financial dealing concern would be trading in stocks and would get relief for the £17,500 loss by reduction of other profits or by repayment under Section 341, having been out of the capital for only one day. Indeed, it might have borrowed the money from the broker and claimed repayment of tax on the interest paid to him. The interval would usually be longer than one day, but the principle is the same and companies were being formed to exploit the idea.

(2) A similar purchase by a charity or superannuation fund would give no relief for the loss, but the recipient body would do still better by

repayment of tax on the dividend of £30,000 at 7s. 9d.=£11,625, whereas the financial concern saved only tax on £17,500=£6,781.

(3) A similar purchase made by an ordinary trading company with a loss so as to obtain Section 341 relief against the dividend.

All these ideas are now unavailing where the purchase cum dividend and sale ex dividend are after April 7, 1959. The provisions are to apply (a)

automatically where the time between purchase and sale does not exceed one month, and will also apply (b) where the time exceeds one month but not six months and the purchase and sale are not at current market prices, or if the sale was pre-arranged.

In the case of a financial dealing concern, the Act provides that in the circumstances set out in the preceding paragraph the appropriate proportion of the dividend included

in the price is to be excluded from the purchase price. (But *bona fide* dealers on stock exchanges and *bona fide* discount houses are not affected.) Charities and pension funds will not be repaid tax on the appropriate proportion of the dividend to the date of purchase; the same exclusion applies to Section 341 claims by trading concerns. There are provisions to prevent avoidance by dealings through intermediaries.

I Hereby Covenant . . .

"Every man is entitled if he can to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be. If he succeeds in ordering them so as to secure this result, then, however unappreciative the Commissioners of Inland Revenue or his fellow taxpayers may be of his ingenuity, he cannot be compelled to pay an increased tax."

These are the often-quoted words of Lord Tomlin in *C.I.R. v. Westminster (Duke)*, 19 T.C. 490, page 520. The Crown had urged that payments made under the scheme adopted by the Duke were in substance the same as ordinary payments of his servants' wages and that the House should disregard the "form" of the transactions and look only at their "substance." Their Lordships rejected this argument. The fact that two methods of transferring money from A to B have the same commercial result is immaterial; what matters is their legal result. Lord Russell of Killowen explained the only true meaning of the doctrine of the "substance of the transaction" (page 524):

If all that is meant by the doctrine is that having once ascertained the legal rights of the parties you may disregard mere nomenclature and decide the

question of taxability or non-taxability in accordance with the legal rights, well and good . . . If, on the other hand, the doctrine means that you may brush aside deeds, disregard the legal rights and liabilities arising under a contract between parties, and decide the question of taxability or non-taxability upon the footing of the rights and liabilities of the parties being different from what in law they are, then I entirely dissent from such a doctrine.

Lord Tomlin said, however (page 421):

There may, of course, be cases where documents are not *bona fide* nor intended to be acted upon but are only used as a cloak to conceal a different transaction. No such case is made or even suggested here. The deeds of covenant are admittedly *bona fide* and have been given their proper legal operation.

A case of the kind envisaged by Lord Tomlin is exemplified by *Hood Barrs v. C.I.R.* For the facts see this issue of ACCOUNTANCY, page 405. As there stated, Upjohn, J., dismissed the taxpayer's appeals. He held that the Special Commissioners were entirely justified in concluding that Stella was a nominee for the taxpayer. He said that documents had been fraudulently put forward by the taxpayer to make out that the

income was not his. The learned Judge described the document which was adduced as evidence of a transfer of shares to Christine as fraudulent and in the absence of any reliable evidence held that the taxpayer had not discharged the burden of satisfying the Court that he had divested himself of the income in favour of Christine.

The case was an extreme one, where the transactions were not *bona fide*.

However, a transaction must not merely be *bona fide*: it must be acted upon. It follows from the *Westminster* case that what is sauce for the Revenue goose is sauce for the taxpaying gander, and a taxpayer who has a lawful method of successfully avoiding tax must be careful that he carries out meticulously every detail of the scheme as laid down, avoiding all "short cuts."

Albert Lee v. C.I.R., 25 T.C. 485, was a case where a taxpayer executed seven-year covenants in favour of various relatives. In some instances, no payments had been made under the deeds. Though the taxpayer claimed that payments made by him to the beneficiaries had been made in pursuance of his covenanted obligations, he was unable to produce satisfactory evidence that the payments had been so made. In other instances the sums had been paid under the deeds but there had been contemporaneous agreements that the beneficiaries should repay the sums covenanted, and the agreements had been acted upon. Accordingly,

the Special Commissioners held that the covenanted sums falling into the two above categories were not deductible from the taxpayer's total income.

In *D'Ambrunil v. C.I.R.*, 23 T.C. 440, the taxpayer covenanted to pay annual sums to trustees who were to hold the sums on trust to accumulate them, paying such portion of the income of the accumulations to B.P. as the taxpayer should direct. Under the deed the taxpayer could require the sums paid to be lent to him on his own terms and the trustees were not to be liable for any loss of trust moneys. No direction to pay any sum to B.P. was made, neither was any payment made to her. Wrottesley, J., held that a payment to the trustees under these circumstances was not an effective payment.

See also *C.I.R. v. Compton*, 27 T.C. 350, dealt with in ACCOUNTANCY for

December, 1958 (page 654), in a paper by Mr. B. R. Pollott.

Mr. Russell, however, succeeded where the others had failed. The taxpayer in the case of *Russell v. C.I.R.*, 26 T.C. 242, made payments to trustees under deeds of covenant in favour of his children. The trustees had an absolute discretion on how the sums paid were to be utilised for the maintenance, education or benefit of the children. While the children were infants the trustees exercised their discretion by returning the payments to the taxpayer. The trustees were exonerated thereafter from seeing to the application of the sums paid, but the taxpayer was under a legal liability to apply them for the children's benefit. On two of the children obtaining majority, they agreed with the taxpayer's suggestion that he should take care of the money for them and duly returned the sums

paid. No attack was made on the *bona fides* of the deeds. It was held by the Court of Appeal that the deductions claimed from the taxpayer's total income in respect of the payments were allowable. It is to be noted that by reason of the operation of Section 21 of the Finance Act, 1936, and Section 38 of the Finance Act, 1938, deductions were not claimed in respect of certain payments in certain years.

It is scarcely necessary to add that any transaction of the sort under consideration must not offend against the general law (for example, the rule against perpetuities) or be caught by any of the provisions of the income tax legislation, in particular Part XVIII of the Income Tax Act, 1952. See Mr. Pollott's paper, already referred to, in ACCOUNTANCY for December, 1958, pages 653-6, and for January, 1959, pages 16-19.

Taxation Notes

Finance Bill Amendments

The Finance Act received the royal assent on July 29.

In Committee a new clause was added to the Bill to give relief where a subsidiary company which is an overseas trade corporation (O.T.C.) commits, unknown to its parent company, some act which would disqualify the parent company from being an O.T.C. but from which the parent company obtains no material benefit. The Commissioners of Inland Revenue are given a discretion to direct that the act shall not prevent the parent company being treated as an O.T.C.

Another new clause was added dealing with amendments as to the exclusion of the donor, or owner of an interest, from possession or benefit of a gift *inter vivos* for estate

duty purposes. In the case of property being an interest in land, or being chattels, retention or assumption by the donor (or owner of an interest) of actual occupation of the land, or actual possession of the chattels, shall be disregarded if for full consideration in money or money's worth. This has effect for deaths on or after July 29, 1959.

At the Report stage, there were added to the Bill clauses dealing with dependent relative allowances, investment allowances for ships, and stamp duty on sales, etc., for less than £5.

The dependent relative allowance is to apply, in the same way as it does to a widowed mother, to a mother living apart from her husband and to a mother who is treated as a single woman in consequence of dis-

solution or annulment of marriage. The relief to which any person is entitled is not to be smaller than it would have been if this clause had not been passed.

Hitherto, expenditure on a ship ranked for investment allowance only if the ship was new and not second-hand. The allowance (40 per cent.) now applies where a ship is purchased later than April 7, 1959, and after the property in it has passed to the vendor, so long as the vendor has not taken the ship over from the builder. If the vendor has had an investment allowance on part of the expenditure, the purchaser can get one on the balance only. If rights under a contract for the provision of a ship are assigned after the ship has been begun, and the assignor and assignee are under common control or one controls the other, or it appears that the main benefit for the assignment appears to be the obtaining of an increased investment allowance, only the consideration for a sale to the assignee of so much of the ship as was in existence before the

assignment will rank for investment allowance.

Where stamp duty is payable on a conveyance or transfer on sale and the value of the consideration for the sale is less than £5, the stamp duty is not to exceed sixpence for every twenty-five shillings or fractional part of twenty-five shillings. The new charge is to apply to instruments made or executed after the beginning of August, 1959. As dealings under £5 in registered shares are rare, the relief will principally affect bearer shares under schemes to promote share ownership by workers. Transfers of bearer shares are liable to a duty three times the duty which would be payable on the transfer of a share for a consideration equal to its nominal value. Before the Act, the duty on the transfer of a bearer share was thus, broadly, 6 per cent. of the nominal value. As an example of the reduced duty on the smaller transactions, a share transferred for £1 will now attract 6d. duty, against the former 2s. 0d. A bearer share of £1 nominal value will attract 1s. 6d., against 6s. 0d.

In Committee, an amendment to abolish Schedule A on owner-occupied houses failed after considerable debate. It may be that a different view would be taken of a suggestion to exempt the first £50 of net annual value. That would get over many of the criticisms.

Reconstructions and Amalgamations—Stamp Duty

The spate of company amalgamations makes it opportune to remind readers of the provisions of Section 55, Finance Act, 1927.

In connection with a scheme for the reconstruction of a company or companies or the amalgamation of companies, relief is available as stated below provided that the Commissioners of Inland Revenue are satisfied that:

- (a) a limited company is to be registered or has been incorporated by letters patent or Act of Parliament or the nominal share capital of a company has been increased;
- (b) the company (the "transferee company") is to be registered or has been incorporated or has increased

its capital with a view to the acquisition either of the undertaking of, or of not less than 90 per cent. of the issued share capital of, any particular existing company (the memorandum of association or other constituting instrument, or the resolution for increase of capital, must state that the purpose is to acquire the undertaking or shares in question);

(c) the consideration for the acquisition (except such part as consists of the transfer to or discharge by the transferee company of the liabilities of the existing company) consists as to not less than 90 per cent. thereof:

(i) Where the undertaking is to be acquired, in the issue of shares in the transferee company to the existing company or to holders of shares therein; or

(ii) where shares are to be acquired, in the issue of shares in the transferee company to the holders of shares in the existing company in exchange for their shares in the latter.

The relief is:

(1) For the purpose of computing stamp duty on the new share capital of the transferee company, the capital is reduced by the smaller of:

(a) the capital of the existing company (if part of the undertaking only is acquired, the proportionate part of that capital);

(b) the amount to be credited as paid up on the shares issued as consideration and on shares issued to creditors of the existing company in consideration of the release or transfer of their debts.

(2) Stamp duty is not payable on any instrument transferring shares, assets or debts, provided that (a) there is a particular stamp on each instrument denoting that it is exempt and (b) the instrument is either executed within twelve months from the date of registration of the transferee company or date of increase of capital, as the case may be, or made for the purpose of an agreement which has, or particulars of which have, been filed with the registrar of companies within such twelve months.

For the purposes of relief under (2) above, the issue of unissued share capital is treated as if it were an increase of capital.

If shares are issued to the existing company, the relief will be withdrawn if that company parts with the beneficial ownership of them within two years of the registration, etc., of the

transferee company or the increase of capital by it, except where the cessation of ownership arises in consequence of reconstruction, amalgamation or liquidation. Similarly, the transferee company which has had relief because of acquiring shares in the existing company must own them for two years or part with them only on reconstruction, etc., or the exemption is withdrawn.

Relief may be given where 90 per cent. of the capital of the existing capital is acquired over a period of six months from the end of the month after the first allotment of shares under the scheme, or, if earlier, the date of the issue of the takeover bid to the shareholders of the existing company.

Profits Tax—Directors' Remuneration

So long as directors' emoluments (a term which includes all remuneration and benefits assessed on directors under Schedule E with the exception of certain holders of the office of director in the course of their profession) are allowable as deductions in computing profits for income tax purposes, they are allowable for profits tax, save that there is a ceiling on the amount allowed if the company is director-controlled.

In deciding whether a company is director-controlled, all directors must be taken into account, but the emoluments of whole-time service directors are allowed in full (subject to being allowed for income tax). Whole-time service directors are directors who are required to devote substantially the whole of their time to the service of the company in a managerial or technical capacity and who do not own and are not able to control more than 5 per cent. of the Ordinary share capital.

The ceiling applies to the other directors and has been primarily £2,500 or 15 per cent. of the profits with a maximum of £15,000, whichever is the larger amount. Where, however, there are two or more full-time directors who fail to qualify as whole-time service directors because he or they each own (or control) more than 5 per cent. of the Ordinary share capital, the £2,500 limit can be raised.



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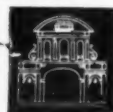
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The amounts which have been available since the beginning of 1952 are increased by the new Finance Act, 1959, as follows in respect of the part of any chargeable accounting period falling after March 31, 1959.

Number of Full-time Directors	Ceiling 1/1/52-31/3/59 £	Ceiling after 31/3/59 £
Two ..	4,000	5,000
Three ..	5,500	7,000
Four or more	7,000	9,000

The idea underlying these figures is that the highest paid director's ceiling should now be £3,000 (formerly £2,500), and each other director's ceiling £2,000 (£1,500). There is no marginal relief except that where the highest paid director gets less than £3,000 (£2,500) his deficiency can be set against any other directors' excesses.

Illustration 1

	£
Profits before adjusting directors' remuneration ..	40,000
Directors' remuneration (excluding whole-time service directors)	12,000
	<hr/> 52,000
Full-time directors (excluding whole-time service directors):	
A	3,500
B	2,400
C	1,800
Part-time directors	4,300
	<hr/> 12,000

If these facts held for the year ended June 30, 1959, the amounts allowable would be:

(a) 15 per cent. of £52,000 = £7,800 or

(b)	Old £	New £
A	2,500	3,000
B	1,500	2,000
C	1,500	1,800
	<hr/> 5,500	<hr/> 6,800

In this case (a) is better for the company, giving profits of £52,000—£7,800 = £44,200.

Illustration 2

The facts are as above, save that profits before adjusting directors' remuneration are £24,000.

Alternative ceilings:

(a) 15 per cent. of (£24,000 + £12,000) = £5,400.

(b) $9/12\text{ths} \times £5,500 + 3/12\text{ths} \times £6,800$ = £5,825.

Ceiling (b) would be selected.

Illustration 3

Full-time directors (year commencing after 31/3/59):

	£		£
A	2,600	under maximum by	400
B	2,300	over	" 300
C	2,200	"	" 200
D	1,800	"	"
E	1,000	"	"

Ceilings:

A	2,600
B & C	4,000
Add A's deficiency	400
D & E	2,000
	<hr/> 9,000

Over-deduction of Tax on Dividend Warrants

The reduction in the standard rate of income tax from 8s. 6d. to 7s. 9d. has meant that many payments of dividends or interest in the first few weeks of the year of assessment 1959/60 have had too much tax deducted because the warrants were already prepared. The rules for overcoming any over-deduction during the month following the Budget resolution can be summarised as follows:

(1) *Payments made out of profits or gains brought into charge to tax:*

(a) Interest payable under Section 169 by a body corporate: the over-deduction must be adjusted on the next payment if not already made good otherwise. The over-deduction must not be retained for more than one year following the passing of the Finance Act. The amount refunded benefits the person entitled to the interest at the time of the refund.

(b) Fixed rate Preference dividends and the fixed rate of participating Preference dividends: the same as in (a).

(c) Interest payable under Section 169 by an individual, partnership or unincorporated body; annuities, patent royalties and mineral royalties to which Section 169 applies; and rents payable under short leases by a landlord who has suffered tax under

Schedule A (either direct or by deduction): the payer must make the over-deduction good to the payee.

(2) *Payments not made out of profits or gains brought into charge to tax:*

Interest chargeable under Schedule C (e.g. interest on government issues); any interest, dividends or other annual payments payable by a person not resident in the United Kingdom through an agent in the United Kingdom; and payments to which Section 170 applies, including patent and mineral royalties and copyright royalties paid to persons outside the United Kingdom: repayment or adjustment is in practice made by the Revenue.

(3) *Ordinary dividends and the participating part of a participating Preference dividend:*

There is no adjustment, but the net amount paid must be grossed as if tax had been deducted at 7s. 9d. in the £.

Illustrations

(1) On April 10, 1959, a company declared the following dividends: the full dividend on its 7 per cent. Preference stock; 10 per cent. on its 6 per cent. participating Preference stock; and 200 per cent. on its Ordinary stock. X held £200 of each class. Income tax was deducted at 8s. 6d. The amounts to be included in A's income for 1959/60 would be as follows:

(a) Preference stock: £14. The over-deduction of 9d. in the £ would be adjusted by deducting only 7s. in the £ from the next dividend.

(b) Participating Preference stock:

	£	s.	d.	£	s.	d.
6 per cent. on £200				12	0	0
4 per cent. on £200	8	0	0			
Less Income tax at 8s. 6d.	..	3	8	0		
				<hr/> 4	12	0

Grossed as if 7s. 9d. had been deducted to arrive at £4 12s. 0d. net ..

Total 19 10 2

(c) Ordinary stock:			
200 per cent. on £200	..	400	0 0
Less Income tax at 8s. 6d. . . . .	..	170	0 0
		<hr/> 230	0 0

Grossed as if 7s. 9d. had
been deducted to arrive
at £230 net. . . . £375 10 2

If X had enough allowances to exhaust his total income, he could reclaim only at 7s. 9d. in the £ on (£14+£19 10s. 2d.+£375 10s. 2d.)=£409 0s. 4d., not on (£14+£20+£400)=£434.

(2) On April 10, 1959, Y paid interest at 5 per cent. for six months on a loan, £6,000, and repaid £2,000 of the capital. In October he must adjust the deduction as follows:

	£	s.	d.	£	s.	d.
Interest for half year	100	0	0			
Less:						
Income tax at 7s. 9d.	38	15	0			
Deduct:						
Over-deduction £150 at 9d.	5	12	6	33	2	6
Net payment				£66	17	6

Expenses of Part-time Medical Appointments

The commonplace that outgoings which may be deductible as expenses for the purposes of Schedule D may not be so deductible for the purposes of Schedule E was at the root of the recent case *Mitchell and Edon v. Ross and Others* (*The Times* newspaper, July 22, 1959, and see also this issue of ACCOUNTANCY, page 407). The respondents held part-time specialist appointments under Regional Hospital Boards and also had private patients. The Special Commissioners decided that expenses incurred by the respondents in rendering services to patients under the National Health Service Act, 1946, fell to be treated in accordance with the rules relating to deductions under Schedule D, and not in accordance with the rules applicable to Schedule E.

On appeals by Inspectors of Taxes by way of case stated, Upjohn, J., in a reserved judgment, said that all offices and employments for profit were within Schedule E. The question to be answered was: Did a specialist who held a part-time National Health Service appointment (a) occupy an office, or (b) undertake an employment, or (c) merely render services in the course of the exercise of his profession? A specialist was the instrument of the

Minister of Health to carry out part of the National Health Scheme "to provide for the establishment of a comprehensive health service for England and Wales" and as such was the holder of a public office. The Special Commissioners had so found but they had decided that, nevertheless, the taxpayers were assessable under Schedule D on the ground that the hospital appointments were a necessary part of their professions. It was submitted on behalf of the respondents that any expenses incurred in the course of exercising the part-time office, which would not be deductible under Schedule E but would be allowable under Schedule D, might be brought into account as part of the general exercise of the profession of a consultant, but his Lordship was unable to accept that view. Once the conclusion was reached that the National Health appointment was the holding of an office, the expenses attendant upon the office, including the expenses incurred by a specialist in domiciliary visits and as *locum tenens*, must be treated under the rules applicable to Schedule E and under no other Schedule.

Annual Allowances—Multiple Shops

The Multiple Shops Federation has negotiated with the Inland Revenue a comprehensive rate of annual allowances on shop fixtures, fittings and equipment which may be claimed in place of the individual rates of annual allowances available for such items. The option is available for 1959/60 onwards and applies to those items of shop equipment, fixtures and fittings that can normally be regarded as available for capital allowances—including normal shop fittings, hairdressing equipment, butchers' refrigerators, cash registers and iceless refrigeration display cabinets. The basic rate is 7½ per cent. (i.e. 9¾ per cent. actual) in the reducing instalment method. Any election must be for all the qualifying equipment of the claimant, not the equipment in individual shops: there cannot be different methods for shops in the same ownership.

It is likely that the option will be found worth exercising in most con-

cerns. In some, however, the major part of the equipment already attracts higher rates than 7½ per cent.—for example, refrigerators, cash registers, etc. The ordinary rates still apply to equipment not in the nature of shop fixtures and equipment—for example, office machinery, motor vehicles, refrigerating plant, dairy plant, bakery plant, etc.

Although negotiated for multiple shops, presumably the method could be claimed by the owner of one shop.

"The Public," Surtax Directions and Takeovers

Section 245 of the Income Tax Act, 1952, which authorises the Special Commissioners to direct the apportionment of the income of a controlled company (as defined) which has unreasonably withheld profits from distribution, does not apply, *inter alia*, where the company is one in which "the public" are substantially interested. For the public to be substantially interested, shares of the company (not being shares entitled to a fixed rate of dividend, whether with or without a further right to participate in profits) carrying not less than 25 per cent. of the voting power (a) must have been allotted unconditionally to or acquired unconditionally by the public and must be beneficially held by them at the end of the accounting period in question and (b) must have in the course of that period been the subject of dealings on a stock exchange in the United Kingdom and the shares must have been quoted in the official list of that stock exchange.

In determining whether the company is under the control of not more than five persons, persons who are relatives of each other (spouse, ancestor, lineal descendant, brother or sister) are treated as one person; so are respectively a nominee and his principal, persons in partnership and persons interested in any shares or obligations of the company which are subject to any trust or are part of a deceased person's estate. A company to which Section 245 applies cannot be included as a member of the public (Section 256).

The words "the public" mean all persons other than the controlling

individual or individuals (*Tatem Steam Navigation Co. v. C.I.R.*, 1941, 24 T.C. 57). None of the five or fewer persons (or their relatives, etc., as above) who control the company are regarded as members of the public. A controlling interest is one of over 50 per cent. Shareholders do not cease to be members of the public merely because they are directors of the company (see *Uganda Commissioner of Income Tax v. Bjordal*, 1955, 34 A.T.C. 18—a Privy Council case).

It is because of these circumstances that so many companies have put on the market a 25 per cent. share in the equity. It is not always appreciated even by some of the financial Press that after such an operation the control may remain where it was before. As an example, a recent takeover bid for 55 per cent. of each shareholder's holding was criticised on the grounds that the public were losing control. Yet the circular letter to shareholders showed that the public had only 25 per cent. of the voting shares and, therefore, did not possess control before the takeover bid. Acceptance of the offer, therefore, would only transfer control from the previous holders to others and the public would still have a minority interest. After the takeover the control would lie with the buyers of the 55 per cent. but the former owners of the controlling interest would then apparently become members of the public, so that, in fact, the "public's interest" would be increased.

Setting off Balancing Charges Against Cost of a Replacement

When machinery or plant acquired for the purposes of a trade, etc., is to be used partly for other purposes, the initial allowance is to be restricted as may be just and reasonable having regard to all the relevant circumstances of the case, and in particular to the extent to which it appears that the asset is likely to be used for the other purposes during the whole period during which the asset will be used for the purposes of the business (Section 279 (3), Income Tax Act, 1952). Similarly, the annual allowance is restricted by reference to

non-business use in the basis period for any year of assessment; where the initial allowance has been restricted, annual allowances are to be computed as if the initial allowance had been given in full (Section 289). The difficulty of assessing the private use of a motor car over its whole life—as is necessary for the restriction of initial allowance—needs no emphasis! The restriction of the annual allowance is simpler as it refers only to the basis period.

Where there is non-business use, any balancing allowance or balancing charge has to be appropriately restricted (Section 293).

As an alternative to paying tax on a balancing charge, where the asset has been replaced, the taxpayer has the right to set the balancing charge against the cost of the new asset. Initial and annual allowances are then computed on the net amount so arrived at and the balancing charge so set off is regarded as an initial allowance when computing any balancing charge or allowance on the new asset (Section 296). Hitherto, where capital allowances and balancing charges have been restricted because of non-business use of the asset, only the actual (i.e. reduced) balancing charge has been deducted from the cost of the new asset. It appears, however, that the Inland Revenue now requires the full excess of the proceeds of sale of the old asset over its written-down value to be deducted. The reasoning is understood to be that the former method was "inequitable" in favour of the taxpayer (a most peculiar argument to emanate from the Revenue—how often does it turn down such arguments when advanced in favour of the taxpayer!). But "... an equitable construction certainly ... is not admissible in a taxing statute, where you can simply adhere to the words of the statute" (Lord Cairns in *Partington v. Attorney General* [1869] L.R. 4 H.L., App. 100, 122). The Revenue bases its new view on the dictum of Vaisey, J., in *G. H. Chambers (Northiam Farms) Ltd. v. Watmough*, 1956, 36 T.C., page 717, concerning the expression "having regard to all the relevant circumstances of the case" in the Sections

mentioned above. The Board is of the opinion that an election under Section 296 is a "relevant circumstance," and a revised approach has been made to remedy the "anomaly."

It appears doubtful, at least, whether the Board is entitled to override the exact words of the Act, which refer to the balancing charge to be made on the taxpayer and seem to leave no room for incorporating a notional sum.

It is difficult to appreciate why the Board has taken up the new attitude, as it does not appear to affect the total allowances, merely giving a different rate of acceleration. It may be that there would be some difference if the non-business use fluctuated, but that is hardly an excuse for the change of view on a mere dictum.

The following comparative computations show the effect of the change of view. For simplicity, the non-business use has been assumed to remain constant at 20 per cent.

	£	Dis-allow		Allow	
		£	£	£	£
Motor car cost		1,600			
Year 1					
Initial allowance					
20 per cent.	320				
Annual allowance	400				
		720	144	576	
		880			
Year 2					
Annual allowance	220	44	176		
		660			
Year 3					
Annual allowance	165	33	132		
		495	884		
Proceeds	900				
Excess	405				
Cost	1,600				
Proceeds	900				
Net cost	700				
Non-business use	140				
Business use	560				
Allowed	884				
Balancing charge	324				

	Old Practice		New Practice	
	Dis-allow	Allow	Dis-allow	Allow
	£	£	£	£
Replacement cost	£	£	£	£
Deduct Balancing charge	2,000	324	2,000	405
	1,676		1,595	
Year 1				
Initial allowance				
30 per cent.	503		479	
Annual allowance	419		399	
	922	184	878	176
	754	738	717	702
Year 2				
Annual allowance	189	38	179	36
	565	151	538	143
Year 3				
Annual allowance	141	28	135	27
	424	113	403	108
		1,002		953
Cost	2,000			
Proceeds	1,100			
	900			
Non-business use	180			
	720			
Business use			720	
Allowed £1,002 + £324 =	1,326	953 + 324* =	1,277	
Balancing charge	606		557	

* It would appear that the balancing charge allowed must be £324. If the Revenue insist on £405, in the summary below the total allowances under the new view column would be £1,199.

Had the taxpayer paid on the computation on the second one
balancing charge on the first car, the would have been:

	Disallow		Allow	
	£	£	£	£
Cost	£	£		
Year 1: Initial allowance	600	2,000		
Annual allowance	500			
	1,100	220	880	
Year 2: Annual allowance	225	45	180	
	675			
Year 3: Annual allowance	169	34	135	
	506		1,195	
Business use as above	720			
Allowed	1,195			
Balancing charge	475			

	Summary		Old and New Views	
	Old View	New View	If balancing charge	If balancing charge
	£	£	not set off	not set off
Allowed on:				
First Car	884	884	£884—£324	560
Second car				
£1,002—£606	396	£953—£557	396	£1,195—£475
	1,280	1,280		720
				1,280

Plant and Machinery

On many occasions the meaning of the term "plant and machinery" has been queried. In the case of *Maden & Ireland v. Hinton* (1958, T.R. 321, C.A., since approved by the House of Lords—see page 406 of this issue), it was held that the knives and lasts which are inserted into heavy machines used in the manufacture of boots, etc., are plant and machinery. The Court of Appeal approved a definition in Wyld's *Universal English Dictionary*: "Complete mechanical equipment, or apparatus, machines, implements, etc., necessary for carrying on some specific industrial operation." In a Factory Act case, *Watts v. Enfield Rolling Mills* (1952, 1 All E.R. 1013), Somervell, L.J., said:

The word plant, I think, is one of those words the meaning of which, in its ordinary significance, is very wide. It may be cut down by its context. In certain contexts in the Factories Acts I think it means plant used by the occupier of the factory for the purposes of the processes he carries on there.

In the *Maden & Ireland* case, Sellers, L.J., said:

In the course of manufacture (in this case the manufacture of footwear) many things have to come into use—most frequently in these days some machinery and, in association with machinery, various implements, tools and equipment in order to make the machinery effective, to work in conjunction with it, and to produce the finished product. The word which is commonly used is "plant," to describe the equipment, utensils, machinery, articles—whatever they may be—which are directly used in the process of manufacture in the making of an article or part of an article. They are the tools of the trade. Whether they are to be described as "plant" or not seems to me to depend on the use to which they are put. Many things may be bought, expenditure may be made on all sorts of articles, some of which may be put to the direct process of manufacture, others of which may be used indirectly or for some other purpose. If that test is right, the conclusion does not depend on the size, the weight, the strength or the weakness, the durability or the length of serviceable use, of the particular article: it is the purpose to which it is put. Machine tools in some pro-

cesses may be worthless after being used once, or may have a very short life, but if they are a vital part of the plant, then, as I see it, they would be regarded as plant if they were not in fact part of the machinery.

Tax Reserve Certificates—and Setting Allowances Against Schedule E

The fact that Tax Reserve Certificates cannot be used to pay Schedule E tax is an incentive to taxpayers with income assessable under Schedule D to have as many allowances as possible set against Schedule E.

Consider the following position:

A is a director of a company with a salary of £3,000. He is also a partner in a firm with a share of £5,000 of the 1959/60 assessment. He has unearned income also.

In the normal way, he will be given his allowances in the firm assessment and be coded under Schedule E with this result:

	£	s.	d.
Schedule E	3,000		
Earned Income Relief (E.I.R.)	667		
	2,333		
Tax payable £2,333 at 7/9	904	0	9
Schedule D	5,000		
E.I.R.	667		
National Insurance Contribution (say)	18		
Personal Allowance ..	240		
Child Allowances ..	375		
Life Assurance Relief	100		
	1,400		
	3,600		
£360 at reduced rates	84	0	0
£3,240 at 7/9	1,255	10	0
Tax payable ..	1,339	10	0

Only £1,339 10s. 0d. (including interest) could be applied out of Tax Reserve Certificates.

If, however, the allowances were coded under Schedule E:

	£	s.	d.
Salary	3,000		
E.I.R.	667		
Allowances	733		
	1,400		
	1,600		

	£360 at reduced rates	84	£	s.	d.
£1,240 at 7/9	480	10			
Tax payable ..		564	10		
Schedule D	5,000				
E.I.R.	667				
Tax payable	4,333 at 7/9	1,679	0	9	

Then £1,679 0s. 9d. could be paid by Tax Reserve Certificates, with a corresponding gain in real interest.

Many taxpayers are taking advantage of the situation by having allowances set against Schedule E.

Loss Relief on Transfer of a Business to a Company

When a person sells his business to a company, the assessments must be made as if the business had ceased and a new business had started on the date of transfer, so that the company can get no relief for any losses which would have been carried forward if there had been no change in ownership. If the transfer is for a consideration to be satisfied by the issue of shares in the company, the position is that whereas the vendor previously owned the business, he now owns shares representing that business—a purely technical, though legal, change of ownership.

To meet the hardship, it is therefore provided (Section 343, Income Tax Act, 1952) that a former proprietor of such a business is entitled to set such losses against his income from the company, in these conditions:

(a) The consideration must have been solely or mainly an allotment of shares to the vendor(s) or his or their nominees.

(b) The shares must be in the beneficial ownership of the vendor(s) from the date of transfer to the end of the year of assessment for which the claim is made.

(c) The company must have carried on the business throughout a like period.

(d) Any loss that could have been carried forward under Section 342 or 345, Income Tax Act, 1952, can then be set against income from the company, but must first be set against income on which he is liable to be assessed (e.g. under Schedule E) before income taxed by deduction.

In the case of a partnership, the claim is available as usual for the

appropriate share of the loss.

Formerly the claim had to be made within twelve months of the end of the year of assessment, but in respect of a loss in 1957/58 or later, the period is six years (6th Schedule Finance Act, 1958).

Tables of Tax on Net Income

Her Majesty's Stationery Office has issued a fourth supplement to *Tables of Tax on Net Income*, showing tax applicable to free-of-tax dividends at rates of tax from 9s. 1d. to 12s. 6d. in the £ (price 8s. 6d. net). The tables are of great use in calculating double taxation reliefs.

Termination of Double Taxation Agreement—United Kingdom and Pakistan

The Government of Pakistan has given notice to terminate the agreement between Pakistan and the United Kingdom for the avoidance of double taxation with respect to taxes on income. The agreement was concluded in 1955. It will cease to have effect from next year. Both Governments have indicated willingness to enter into negotiations for a new agreement.

Colonies within U.S. Double Tax Convention

By an exchange of notes published as Command Paper 824 (6d. net, H.M. Stationery Office) the Double Taxation Convention of 1945 between the United Kingdom and the United States, as later modified, is extended to a score of British colonies.

Whillans's Tax Tables

Butterworth and Co. has now published the 1959/60 edition of these well-known tax tables (5s. with reductions for various quantities). They not only show the amount of tax chargeable at the various rates but also include a summary of the rates of initial and investment allowances since 1946, the P.A.Y.E. codes, details of the various Defence Bonds issues, rates of interest on Tax Reserve Certificates, rates of estate duty, and other useful information.

Recent Tax Cases

Income Tax

Capital or income payments—Coastal pasture lands flooded by incursions of sea—Damage by salt water—Schemes of rehabilitation with Government aid—Acreage payments to farmers—Whether schemes intra vires—Further contentions in High Court under Practice Rule of July, 1926—Whether if new contentions required finding further facts case could be remitted to Commissioners—Income Tax Act, 1952, Section 64—Coastal Flooding (Emergency Provisions) Act, 1953, Part II.

In 1953 on the East Coast of this country there was an irruption of the sea which caused damage by salt water on such a scale that Government aid was felt to be called for to assist in the rehabilitation of the affected areas, the result being the Coastal Flooding (Emergency Provisions) Act, 1953. The usual tax problem emerged—how should payments made to those who benefited be regarded for income tax purposes? In *Watson v. Samson Brothers* (Ch. 1959, T.R. 89), the respondents were farmers, who occupied, partly as owners and partly as tenants, permanent pastures which had been flooded and damaged by the salt water, and had claimed and received payments under the Act. For the year ended December 31, 1953, they had received £2,706 during the accounting year to October 11, 1953, being £6 per acre of permanent pasture wholly or mainly destroyed. For the following year they had received £2,256 in the accounting year to October 11, 1954, being £5 per acre of land classified as capable of some use in 1954. The appeals out of which the case arose

We regret that Mr. W. B. Cowcher, O.B.E., B.LITT., has given up the writing of our Recent Tax Cases. Mr. Cowcher has been our indefatigable contributor for twenty years. His mastery of the tax law, his incisive turn of phrase and his pungent commentary have marked the feature. Many readers have told us that they always turn first to the last paragraph of his reports to see his judgment on the judgment. We hope that Mr. Cowcher's retirement will be punctuated by occasional pieces in our columns. His successor, a barrister at the Revenue Bar who remains anonymous, will, we know, maintain Mr. Cowcher's high standards.

were for the income tax years 1954/55 and 1955/56. The payments to be made under the Act were for the promotion of rehabilitation. Seeing that in each of the two years only £325 had been spent for that purpose and that the Revenue had claimed the differences to be of income character, the amount of tax involved was substantial. Whilst contending that the payments were capital and not trading receipts, the respondents had conceded before the Commissioners that the two outlays of £325 each would have to be excluded in computing profits.

The General Commissioners had held that as the result of the salt water a portion of the capital value of permanent pastures had been lost to the firm either as tenants or as owner-occupiers and that the sums in question were capital and had to be excluded in computing the firm's profits as farmers. The Inspector had demanded a "case"; but before it came up for hearing in the High Court, the Revenue had given notice on February 13, 1959, under the Practice Rule of July, 1926, that it would contend additionally or alternatively to its contentions as set out in the Commissioners' case, so that, according to Roxburgh, J., its contentions would be:

- (i) that . . . the acreage payments of £2,706 and £2,256 . . . were receipts of a revenue nature . . .
- (ii) that even if the sums received . . . in respect of lands owned were capital . . . those received in respect of lands occupied by them as tenants were receipts of a revenue nature.
- (iii) that even if the sums received by the taxpayers either as tenants or owners or both in the year 1953 were capital . . . those so received in 1954 were not.
- (iv) (Formal submission).

At a later stage of his judgment, referring to the Revenue notice of February 13, 1959, he said that by paragraph (c) it was claimed that the capital element, if any, in the payments was limited to the actual expenditure on rehabilitation, the balances being of a revenue nature attributable to loss of profits.

Examining the position under the 1953 Act, his Lordship said that by Section 13 it was required that payments

for the rehabilitation of land damaged by salt water should be in accordance with schemes made by the Minister with the approval of the Treasury and, after a lengthy disquisition on the statutory requirements, he expressed doubt as to whether what had been done was *intra vires*. Nevertheless, after considering the *dictum* by Lord Denning below-mentioned, he said, with disarming candour, that as the point was not raised in the case stated: "it is therefore not open to me to raise this point of *ultra vires* at all." Regarding the additional contentions put forward by the Crown in the notice of February 13, 1959, he said that as each of them required establishment by fresh evidence, he was bound by the House of Lords' decision in *Evans Medical Supplies Ltd. v. Moriarty* (1957, 3 All E.R. 718; 36 A.T.C. 277; 37 T.C. 540) where it was held by Lord Denning and approved by a majority of their Lordships that, as the case stated did not raise the new point about splitting the £100,000 paid to the company which was the subject in dispute, it was not open to the Court of Appeal to raise it. The gist of Lord Denning's observations on the matter would seem to be contained in the sentence:

The general rule of every appellate Court is not to allow a new point to be raised except on a question of law which no evidence could alter.

As a consequence, Roxburgh, J., said that he could not send the case back to the Commissioners to find facts which were in his opinion necessary for a proper determination of the case. One of his *dicta* dealt with the Revenue contention under paragraph (c) of the February 13, 1959, letter:

In my view the new argument introduced by notice is based upon a misconception. You cannot analyse a receipt by reference to expenditure, because expenditure is no part of the analysis of a receipt.

As the position did not enable him to elicit the full facts, he said that he reached the same conclusion as the General Commissioners. It is none the less clear that he thought that the respondents were somewhat lucky to "get away with it" so easily. It is an interesting question what would have been the practical consequences had the Commissioners considered the point and decided that the "schemes" were *ultra vires*. It does not seem to the present writer that the firm would have been any worse off, a decision of the Commissioners having no force outside income tax.

Anyone would think

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Income Tax

Employment—Secretary of company—Scheme for purchase of shares in company—Option granted at market price ruling on date of grant—Cash payment for option—Perquisite—Chose in action—Appreciation in market price of shares—Application and payment for shares—Year for which perquisite assessable to tax—Income Tax Act, 1952, Schedule E, paragraph 1.

The case of *Abbott v. Philbin* (Ch., 1959, T.R. 103) concerned an option scheme whereby directors and executives of a company were enabled to acquire shares in the company; not, as is often the case, at a price less than the market price of the shares at the date when the option was granted, but at the current market price, so that no advantage could accrue to the option holders unless the price of the shares appreciated during the period within which the option was exercisable. The judgment of Roxburgh, J., underlines the date when the benefit of an option contract is assessable to tax and draws an important distinction between "perquisites" and "additional remuneration."

On October 6, 1954, under the terms of the scheme, the appellant (who was secretary of the company) received a letter from it stating that he would be entitled, in consideration of a payment of £20, to apply for an option to subscribe for 2,000 of the shares of the company at a price of 68s. 6d. a share. The following day he applied for an option in respect of 2,000 shares and enclosed his cheque for £20, so that on October 7, 1954, an option contract was established between him and the company. The option was exercisable within ten years but was not transferable, and it expired on the death of the option-holder or on the termination of his service with the company. On the exercise of the option the shares in question were to be allotted subject to the receipt of a form of application from the option-holder stating the number of shares he wished to take up; and the application form was to be accompanied by payment in full. Allotment was to be subject to governmental consent to the issue of the shares, which was obtained on March 4, 1955. On May 6, 1955, an option certificate was issued to the appellant in respect of the 2,000 shares. On March 28, 1956, the taxpayer exercised his option in respect of 250 shares and thereafter the certificate covered the balance of 1,750 shares. On March 28, 1956, the market price of the shares was 82s. a share. The appellant

was assessed for 1955/56 under Schedule E in the sum of £166, being the difference between the price of the 250 shares at 82s. a share and their price at 68s. 6d. a share, less a proportion of the payment of £20 for the option.

Paragraph 1 of Schedule E provides that:

Tax under Schedule E shall be annually charged on every person having or exercising an office or employment of profit mentioned in Schedule E . . . in respect of all salaries, fees, wages, perquisites or profits whatsoever therefrom for the year of assessment.

The taxpayer agreed that the value of the option was assessable under paragraph 1, but he contended that he should be assessed for the year 1954/55 when he purchased the option, which vested in him a right of property (a chose in action) forthwith. The Special Commissioners decided in favour of the Inland Revenue because they felt themselves bound by the decision of the Court of Session in *Forbes's Executors v. C.I.R.* (1958, 38 T.C. 12), where the Lord President said:

. . . the right which Mr. Forbes obtained on signing the (service) agreement in 1944 (which gave him an option to subscribe for shares on favourable terms) was a right merely to apply for the shares; it gave him no right in or to any shares, for this could only emerge when he exercised his right and when he delivered to the company the par value of the shares he demanded.

In their case stated in *Abbott's* case the Special Commissioners had said:

In the present case the appellant paid a small sum for his option whereas Mr. Forbes was given his option, but we do not consider that difference material.

Roxburgh, J., decided in favour of the appellant and the main interest of the judgment lies in the reasons which he gave for distinguishing *Forbes's* case. He could not agree that the payment for an option was immaterial. Moreover, if a payment were made, it mattered not whether it was large or small. In *Forbes's* case the option arose out of a service agreement, so that the benefit of it was in the nature of additional remuneration. It was impossible to treat additional remuneration on a different basis from primary or principal remuneration, for example, salary. In *Abbott's* case the option was not a reward for services, although it was derived as a result of the taxpayer's employment with the company, "but it was a thing that was bought" and an employee did not have to pay for his own remuneration. In fact Mr. Abbott's option was a

perquisite. It was true that salaries and perquisites were grouped together for purposes of taxation in paragraph 1 of Schedule E, but that did not deprive them of different characteristics. Salaries, whether original or additional, were revenue items whereas transactions in relation to shares were generally capital items, and thus the increase in value of the shares acquired by the exercise of Mr. Abbott's option did not render the increased value assessable as additional remuneration. Any assessment of the perquisite fell to be made in the year of assessment 1954/55.

One part of Roxburgh, J.'s, judgment is none too easy to follow. His Lordship said:

If Mr. Abbott had gone into Bristol Stock Exchange, he could have realised a profit on these shares without the slightest difficulty very soon after the option . . . he could, immediately after the acceptance by him of the contract (on October 7, 1954) have put in an application form, and he would have been in a position to carry out the transaction I have indicated the next day. The only bar, if any, to that transaction, as I see it, was the necessity for the company to obtain Treasury consent.

Well, Treasury consent to the issue of the shares was not obtained until March 4, 1955, and that, it seems, would have been a very real bar to the earlier disposal of the shares. At the end of his judgment his Lordship said this:

It does not fall on me on this appeal to indicate whether it (the option) can be taxed, owing to difficulties of valuation, and, if so, upon what principle it ought to be valued. Those are matters which will only arise if and when some assessment is raised in respect of the year 1954/55.

Nevertheless, it would have been very helpful, in view of the increasing popularity of share option schemes, if his Lordship had seen fit to give some indication of the principle upon which an option such as that purchased by Mr. Abbott fell to be valued.

Income Tax

Trade—Back duty assessments—Alleged betting winnings—Decision of General Commissioners that allegation not proved—Further hearing and evidence—Whether further evidence accepted—Remission to Commissioners for additional case to be stated—Additional case to state only whether or not appellant overcharged—Income Tax Act, 1952, Section 52 (5).

Chuwen v. Sabine (Ch. 1959, T.R. 55) was another case where the old story of betting profits was put forward in

explanation of accretions of wealth otherwise unexplained. The appellant was a raincoat manufacturer, and assessments had been made upon him aggregating £30,636—details were not given in the judgment—in respect of undisclosed business profits. The General Commissioners had heard the appeals against the assessments on July 28, 1955, and October 23, 1956. At the first hearing they had decided that the appellant had not proved his contention that "the sum of £34,267" came from betting transactions. They had, however, according to their "case," not formally determined the appeals at that meeting and, in circumstances not stated in the judgment and apparently not set down by them, had held the second meeting to enable further evidence upon behalf of the appellant to be given. Whilst, however, the "case" did not say whether the additional evidence was accepted or not, the Commissioners had declared that they "accepted the respondent's contentions and determined the assessments on the figures mentioned in paragraph 13 of the case." (The possible importance of the italicised words is shown hereunder.)

Roxburgh, J., whilst not sparing his criticisms of the Commissioners and their "case"—probably addressed to the wrong quarter—did not allow his strictures to deflect his judgment on the merits. The contention for the appellant that, as the Commissioners had not explained precisely whom they believed and whom they did not believe, he should allow the appeal *in toto*, he described as "one of those pieces of audacity which always delight my heart," adding that, although he was not the judge of facts and it would be wrong for him to comment on the evidence, one thing was quite certain—namely, that the Commissioners did not believe the appellant's story. The Court, however, was not, he said, a Court of construction, although had the Commissioners all been dead he would have construed the documents before the Court in their favour.

Referring to the simple wording of Section 52 (5) of the Income Tax Act, 1952, which lays down what is the final duty of Commissioners on an appeal, he said he had decided to send the case back to them merely to state in an additional "case" whether or not it appeared to them that the appellant was overcharged by any assessment or not. "All they have got to do is to say 'Yes' or 'No'." If they answered "Yes," all sorts of different consequences would follow; but the probability was very

great that they meant the contrary. He added, subsequently, that he thought the next hearing would be purely formal. In the absence of anything but the report of the judgment, there would seem to be the possibility of trouble arising from this ultra-simplification of procedure. Referring to the words italicised above, the appeals before the Court were in respect of assessments totalling £30,636; but it will be observed that the Commissioners did not in terms confirm them as they stood. One must, apparently, assume that they either did so or, at any rate, did not reduce any of them. Still, in view of the Judge's strong opinions upon the merits or, rather, demerits of the appellant's case, the latter may, in the circumstances, prefer to "call it a day."

Income Tax

Annual payment in consideration of marriage—Rent-charge payable as from death of husband—Free of tax—Deed made before 1939—Death subsequent to that year—Whether payments to be scaled down—Finance Act, 1941, Section 25—Finance (No. 2) Act, 1945, Section 20; Income Tax Act, 1952, Section 486.

The increases in the standard rate of income tax during the late war created hardships in cases of tax-free annuities inasmuch as they used up far larger resources in meeting them than anyone had ever contemplated. Section 25 of the Finance Act, 1941, was enacted in order to relieve the position, and subject to the limits and conditions contained therein, its effect was to reduce free-of-tax obligations by making them tax-free only up to 5s. 6d. in the £, the standard rate for 1938/39. The Section is a long one; but the few words material in the present case are contained in sub-Section (1):

... any provision however worded for the payment of a stated amount free of income tax or free of income tax other than surtax, being a provision which:

- (a) is contained in any deed or other instrument in any will or codicil . . . or in any contract whether oral or in writing and
- (b) was made before the third day of September, 1939, and
- (c) has not been varied on or after that date. (Our italics).

In *Berkeley v. Berkeley* (1946, A.C. 555), Lord Greene, M.R., in the course of the only full judgment given in a unanimous Court of Appeal—subsequently reversed in the House of Lords—characterised Section 25 thus:

The Section, it appears to me, is a simple and intelligible Section directed to the

case where you find in a document a provision for the payment of a tax-free sum, and then all you have to do is to look at the date of that document, and the Act applies or does not apply . . .

Nevertheless, the words italicised above have all been found to require judicial interpretation and it is recognised that there are potential problems which may yet materialise. In the case mentioned, the House of Lords was unanimous in its reversal of the Court of Appeal decision. By a majority, it held that the word "provision" in the above context referred to the benefit conferred and not to the words conferring it, whilst it was unanimous in holding that a "provision" by a will was not "made" until the death of the testator. The result of these findings was that where both will and death occurred before September 3, 1939, the restriction imposed by the Section applied; but where the will was made before but the testator died after that date it did not, the reason being that a will or codicil was revocable, and creates no rights recognised by English law until the testator's death. In the *Berkeley* case, where the will was made before the crucial date but the Earl died after it, the result was that the restriction imposed by the Section was held not to apply.

In *In re Duke of Westminster's Deed of Appointment* (C.A. 1959, T.R. 49), the then Duke of Westminster, by a deed dated February 19, 1930, in consideration of his intended marriage, irrevocably appointed to his prospective wife a clear yearly rent charge of £6,000, after deduction of income tax and surtax and any other taxes whatsoever. It was to commence from his death. The Duke had died on July 19, 1953; and the question was whether the restriction formerly imposed by Section 25 of the 1941 Act and now contained in Section 486 of the Income Tax Act, 1952, applied. Danckwerts, J., had held that it did not; but a unanimous Court of Appeal reversed his decision. Lord Evershed, M.R., in the course of his judgment said that Danckwerts, J., had taken it that the *Berkeley* case laid it down that not only in the case of a will but in all cases a "provision made" meant one which had become effective in possession or enjoyment. There was, he said, nothing in the reasoning or the speeches in that case which bound the Court to hold in the executors' favour, their Lordships having adhered strictly to the sole point which was before them. On September 3, 1939, the marriage had taken place and at that date the Duke had bound himself irrevocably and

charged his estate and, in his opinion, the case fell clearly within the terms of the Section, construed according to the ordinary standards of language. Romer, L.J., agreed for the same reasons. The Section, he said, was not in its terms confined to immediate annuities and he could see no warrant for reading into it a qualification which would whittle down its terms in great measure for no intelligible reason, and he agreed with the Master of the Rolls that Danckwerts, J., would have decided otherwise had he not thought himself bound by the speeches in *Berkeley*. Ormerod, L.J., agreeing, said he had nothing to add.

Income Tax

Lease—Sand pit—Rent and royalties—Rent received by lessors in excess of Schedule A assessment—Whether royalties rent—Computation of excess rent—Income Tax Act, 1952, Sections 82, paragraph 2 (b), 175 (1) (a).

Section 175 of the Income Tax Act, 1952, provides for the taxation of excess rents of immediate lessors arising under certain short leases. In *Trustees of Tollemache Settled Estates v. Coughtrie* (Ch. 1959, 2 All E.R. 582) Upjohn, J., said that the reason for Section 175 (formerly Section 15 of the Finance Act, 1940) was that quinquennial revaluations were suspended during the last war. At the time the legislation was passed no one thought that the Section had any application to the case of a lease such as that before him, and Section 175 hit the taxpayers and did so admittedly by chance or mistake.

The facts were as follows. The appellants leased a sand pit to tenants for twenty-one years from March, 1946, at a surface rent of £10 per annum, plus £5 per acre for each additional acre of land occupied (five additional acres were occupied) and a royalty of 6d. per ton for all sand worked. The royalties payable rose from just under £100 in 1946/47 to £850 in 1955/56, averaging about £390 per annum over the period. Following the decision of the House of Lords in *Russell v. Scott* (1948, 27 A.T.C. 199; *sub nom. Scott v. Russell*, 30 T.C. 394) the sand pit was in 1953/54 assessed for the first time under Schedule A in the sum of £3 5s. and there was an additional assessment for the other five acres. An assessment in respect of excess rents and royalties was also made under Section 175, in sums of £5 and £1,000 respectively.

On appeal to the General Commissioners the appellants contended that

Section 175 applied only to the fixed rent, and alternatively, that if the Section applied also to the royalties, it required a notional Schedule A assessment to be made in accordance with paragraph 2 (b) of Section 82 of the Act of 1952, and such notional assessment should be on the footing that the rack rent did not exceed £292. The Commissioners (accepting the contention of the Crown) held that the royalties were covered by Section 175 and should be taxed as excess rents under Case VI of Schedule D. The assessment would be the excess received above the Schedule A assessment. The amount of this excess was £35 (the amount of the fixed rent received) plus £646 actual royalties received during the tax year, less the Schedule A assessments, the net figure on that basis, after amendment, being agreed at £577. The appellants appealed to the High Court.

Upjohn, J., held (i) that by virtue of Section 175 the lessors of the sandpit were chargeable to tax under Case VI of Schedule D in relation to the royalties and the fixed rents; (ii) that the assessment should be for a rent, computed on Schedule A principles, which would not include the amount of the actual receipts by way of royalty but would be a notional figure ascertained either by averaging the variable rent comprising the royalty payments and fixed rents (*C.I.R. v. Dickson*, 1928, 14 T.C. 69 applied) or by estimating the rack rent under Section 82, paragraph 2 (b) of the Act of 1952; and (iii) that the royalties were rent for the purposes of these provisions (*R v. Westbrook*, 1847, 10 Q.B. 17 applied). The appeal was accordingly allowed and the case remitted to the Commissioners to determine the assessment on the basis indicated.

Income Tax

Employment—Secretary of subsidiary company—Scheme for purchase of shares in parent company—Election to purchase—Deduction from pay—Subsequent issue of shares—Date when perquisite arose—Valuation of perquisite—Income Tax Act, 1952, Schedule E, paragraph 1.

In *Bentley v. Evans* (Ch., 1959, T.R. 117) the respondent acquired the right, under contract like the appellant in *Abbott v. Philbin* (see page 401), to subscribe for shares, but in a company other than the employer company and at a price less than the current market price of the shares. He was secretary of an English company which was a sub-

sidary of a Canadian company. On October 1, 1953, the parent company issued to the employees of certain companies in the group, including the English company, a document called "Employee Share Purchase Plan." This document offered to eligible employees shares of the capital stock of the parent company at a price of approximately 85 per cent. of the market price of the shares on the day preceding the date of the offer—that is, September 30, 1953. To accept the offer an employee had to sign and deliver an election to purchase form on or before October 30, 1953. The purchase price of the shares was to be payable by instalments (which might be prepaid in whole or in part at any time), otherwise the employee must authorise the deduction from his pay, commencing in December, 1953, of amounts sufficient to complete payment of the total purchase price by June, 1955. When, at the end of any month, the company had received sufficient funds to pay the purchase price of three shares, such shares were to be issued as soon as possible and a certificate for them delivered to the employee. There was to be no restriction on the disposal of the shares after they had been fully paid up and issued (cf. *Ede v. Wilson and Cornwall*, 1945, 26 T.C. 381) but the rights of an employee under an election to purchase were not transferable.

On October 7, 1953, the respondent accepted the offer by signing an election to purchase form in respect of fifteen shares and authorised the deduction of instalments from his pay to purchase the shares. He received certificates for three shares in March, 1954, three shares in July, 1954, and three in October, 1954, which had been paid for by deduction from his pay. In November, 1954, he paid cash for and received a certificate for the remaining six shares he had elected to purchase. It was contended by the Revenue that when the shares were issued to the respondent, there arose or accrued to him profits from his employment for the respective years of assessment in which the shares were issued.

Roxburgh, J., said that this case bore little resemblance to *Abbott v. Philbin*. Mr. Evans was offered shares, not in the company which employed him, but in the parent company. That circumstance raised a possible question whether the profits fell within Schedule E at all, but the respondent had wisely decided not to pursue the point. It was therefore necessary for his Lordship to decide whether the transaction resulted in a

perquisite or additional remuneration. He would have held without hesitation that the profit of the transaction was additional remuneration if the respondent had been in the employment of the parent company; but as he was not, it appeared to his Lordship that the profit must be a perquisite or other profit amounting to the difference between the market price of the shares on either September 30, 1953, or October 7, 1953 (he had not been asked to decide that question) and the price (namely, 85 per cent. of the market price) which the respondent bound himself to pay as a condition of getting the shares. The date when the respondent obtained the pecuniary advantage of the perquisite was when he elected to purchase the shares on October 7, 1953, and authorised a payroll deduction. In his Lordship's view the authorisation of the payroll deduction constituted the plainest possible consideration moving from the respondent and that fact, he thought, established a contract between the respondent and the company. The perquisite was therefore assessable for 1953/54.

This case and *Abbott v. Philbin* make it fairly obvious how share option schemes may be arranged if the benefit of an option contract is to be assessed as a perquisite and not as additional remuneration.

Estate Duty

Annuity—Annuity for joint lives and life of survivor—Whether actuarial value applicable on survivor's death—Finance Act, 1894, Sections 1, 2 (1) (b), 7 (7) (b).

In the case of *In re Tapp* (C.A. 1959, T.R. 125) a testator left his residuary estate on trust to pay an annuity to his wife for her life:

and out of the remainder of such income to pay the following annual payments, namely, (a) the sum of £1,500 per annum during the life of my said wife . . . and after her death the sum of £3,000 per annum to my sister C., my nephew A., and my niece P., or such one or more of them as shall for the time being be living and if more than one of them shall be living to be received by them in equal shares.

The testator died in 1936 predeceased by his wife. In 1937 C. died, and in 1956 A. died. The Inland Revenue claimed estate duty on A.'s death and, relying on *In re Payton* (1951, 30 A.T.C. 174) and *In re Weigall's Will Trusts* (1956, 35 A.T.C. 91), contended that the duty was leviable under Sections 2 (1) (b) and 7 (7) (b) of the Finance Act, 1894, on a notional slice of the

corpus of the trust fund producing the half share of the annuity which had been payable to A. down to the date of his death. The trustees of the testator's will, on the other hand, relying on *In re Cassel* (1927, 2 Ch. 275) and *In re Duke of Norfolk* (1950, 29 A.T.C. 7), contended that the trust declared by the will created one single and continuing annuity payable out of the income of the trust fund during the period until the death of the last survivor of the three named beneficiaries; and that on the death of A. there was a passing, within the meaning of Section 1 of the Act of 1894, of one-half of that continuing annuity to which he was entitled at his death. This second method of assessment was less onerous in the circumstances of the case, and, in accordance with the official practice then followed, was the one actually adopted by the Inland Revenue on the death of C. in 1937.

The Court of Appeal, applying *In re Duke of Norfolk* (where there was a continuing annuity) dismissed an appeal by the Revenue from a judgment of Danckwerts, J., dated July 29, 1958, and held that on the true construction of the will the annuity was one continuing annuity of £3,000; and therefore estate duty was leviable under Section 1 of the Act in respect of the actuarial value, as at the death of A., of an annuity of £1,500 a year for the life of P. The Court distinguished *In re Payton*, saying that the pensions payable in that case to the employees of a company under a group pension scheme were purely contractual and not payable out of the rents of a landed estate as in *In re Duke of Norfolk*, or out of the income of a trust, as in the present case. Their Lordships also expressed the opinion that *In re Weigall's Will Trusts* was wrongly decided.

Surtax

Appeal against income tax assessments—Determination of those appeals—Appeal against surtax assessments—Contention that income tax assessments excessive—Whether such evidence admissible—Income Tax Act, 1918, Section 149—Finance Act, 1927, Section 42—Income Tax Act, 1952, Section 64.

The appellant in *Farthing v. C.I.R.* (Ch. 1959, T.R. 123) was assessed for income tax under Case I of Schedule D for 1943/44 to 1948/49 in respect of the profits of his business as a tobacconist and for 1945/46 to 1948/49 in respect of the profits of another tobacconist business carried on by him. He was also

assessed for 1943/44 to 1948/49 under Case I of Schedule D as a dealer and for 1944/45 to 1948/49 under Case III of Schedule D. The appellant did not dispute the first two sets of assessments under Case I of Schedule D, but he appealed to the General Commissioners against the assessments for 1943/44 to 1948/49 under Case I of Schedule D as a dealer and against the Case III assessments, and on November 26, 1952, the General Commissioners determined the amounts of the assessments. The appellant expressed dissatisfaction and a case was stated by the General Commissioners and set down for hearing, but in 1955 the appellant withdrew the case stated. Additional assessments to surtax were made on him for 1943/44 to 1947/48, and a first assessment to surtax was made on him for 1948/49. He appealed against these surtax assessments and intimated his desire to give evidence before the Special Commissioners with a view to showing that the corresponding assessments under Case I of Schedule D were excessive. The Special Commissioners decided that they had no jurisdiction to hear evidence against the income tax assessments and that the latter assessments had become final and conclusive for the purposes of surtax. They accordingly confirmed the surtax assessments.

Roxburgh, J., held that the decision of the Special Commissioners was correct. There were two conceivable points of law which the appellant (who was not represented) might have taken, but he had not argued either of them. The first one was that even though an income tax assessment had become final and binding it might not have become final and conclusive for the purposes of surtax. That point, however, was plainly covered by Section 42 (4) of the Finance Act, 1927 (see now Section 524 (4) of the Income Tax Act, 1952). The second possible point was that the income tax assessments did not, in fact and in law, become final and binding. But that point was not open to the appellant because he did not take it before the Special Commissioners and for that reason they did not find the facts which, before he could apply the law to them, his Lordship would have to know. The position in such a case had been made very clear by Lord Denning in *Evans Medical Supplies, Ltd. v. Moriarty* (1957, 37 T.C. 540, page 588) in these terms:

Seeing that the case stated does not raise this new point about splitting up the £100,000 I do not think it was open to the Court of Appeal to raise it. The Court

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has, of course, power to remit a case to the Commissioners for further findings, when such are necessary to determine the point of law which is raised in the case . . . But I do not know of any power to remit it for a finding on a new point which has not been raised before. The general rule of every appellate Court is not to allow a new point to be raised except on a question of law which no evidence could alter; and this applies equally to a case stated under a statute worded like Section 64 (6) of the Income Tax Act, 1952.

His Lordship said that because he did not know the underlying facts and because he had no power to remit the case to the Special Commissioners, he could not investigate the question whether in fact and in law the income tax assessments had become final and conclusive, and he therefore dismissed the appeal.

Surtax

Withdrawal of appeals for some years—Shares transferred to daughter—Purchase money provided by parents—Some shares transferred by daughter to her sisters—Contention that daughter was trustee—Blank transfers—Dividends paid to parent—Whether daughter a nominee—Similar transaction with another daughter—Daughter then an infant and unmarried—Decision in previous case that shares belonged to her—Presumption of advancement—Estoppel—Finance Act, 1936, Section 21—Income Tax Act, 1918, Section 137 (4)—Finance Act, 1938, Section 38 (2)—Income Tax Act, 1952, Sections 52 (5), 64.

The case of *Hood Barrs v. C.I.R.* (Ch. 1959, T.R. 157) raised three points of considerable interest. They were: (i) whether the appellant was entitled to withdraw appeals against decisions of the Special Commissioners (relating to assessments dependent on the same set of facts) for some years only; (ii) whether, in the circumstances of the case, a presumption of advancement to the appellant's daughter could be rebutted; and (iii) whether the Special Commissioners were estopped by their decision in an earlier case (*Hood Barrs v. C.I.R.*, 1945, 24 A.T.C. 97; 27 T.C. 385; 1946, (on appeal) 25 A.T.C. 375; 27 T.C. 395) from deciding that the daughter was the appellant's nominee.

The appellant appealed against surtax assessments for the years 1941/42 to 1953/54 in respect of the income from shares transferred to two of his daughters, and the Special Commissioners stated a case at his instance. At the hearing in the High Court the appellant claimed to be entitled to withdraw the appeals for

the years 1947/48 to 1953/54. In 1938 the appellant transferred 60,000 shares in a company to his daughter S. at a price of £20,000, the purchase money being provided by his wife. In 1941 another 60,000 shares were transferred on sale to the same daughter, the purchase money being provided by the appellant. Most of the dividends on the shares were paid by the daughter to the appellant or his firm. In 1953, 40,000 shares were transferred by S. to each of her two sisters C. and H., so that it was contended that S. was a trustee of 80,000 shares for her sisters prior to 1953. (It rather appears that it was the two transfers relating to this transaction which were blank (save for the signature of S. and a witness) and not the transfers of 1938 and 1941 as stated in the head-note to the case.) The Special Commissioners decided that S. was a nominee of the appellant during the years under appeal, and that the income from the shares was his income for those years. Upjohn, J., upheld this decision.

The main difficulties of the case arose in regard to another daughter C. On the same day in 1938 the appellant transferred 60,000 shares in the company to C., who was then an infant and unmarried. In the earlier case, above referred to, it had been submitted that C.'s shares were purchased out of moneys provided as a gift to C. by her aunt, but the Special Commissioners found that the shares had been transferred by the taxpayer without consideration, that the transfer had been absolute, and that it was a transfer of assets (so as to constitute a settlement) within Section 21 (9) (b) of the Finance Act, 1936 (see now the definition of "settlement" in Section 403 of the Income Tax Act, 1952). C. also paid over most of the dividends on the shares to the appellant or his firm, and the Special Commissioners confirmed an assessment to surtax on the appellant in respect of those dividends for the year ending April, 1939, which was later upheld by the Court of Appeal. C. married in 1947 and on her wedding day voluntarily transferred the 60,000 shares to her mother.

It was contended in relation to C. that the evidence given in the earlier case showed a voluntary transfer by a father to his daughter; that there was therefore a presumption of advancement; and that there was no admissible evidence to rebut this presumption (see *Shephard v. Cartwright* (1955, A.C. 431) for the principles involved). It was also contended that the Special Commissioners were estopped by their decision in the

earlier case from deciding that C. was the appellant's nominee. The Special Commissioners held that evidence could not be led before them to rebut the presumption of advancement by the appellant to C. as a result of the transfer without consideration of the 60,000 shares to her in 1938, and they decided that the gift of the shares to C. was a revocable settlement within Section 38 (2) of the Finance Act, 1938.

Upjohn, J., held (i), that the only duty of, first, the assessing Commissioners and, if there was an appeal, the Special Commissioners was to settle the proper figure of assessment for each year. It was an administrative act. There was no *lis* between the Crown and the taxpayer, no estoppel was created by any finding of fact for future years, and there was no *res judicata* by any finding of fact or any expression of opinion of law for future years. But when an appellant expressed dissatisfaction (see Section 64 (1) of the Income Tax Act, 1952) and asked for a case to be stated, that brought the *lis* into operation and the ordinary rules applied. The figure of assessment being different for each year, each year must be treated differently. An appellant was entitled to ask the Commissioners to state a case in respect of some years only, and that being so, he should be allowed, notwithstanding that all the assessments depended upon the same set of facts and law, to withdraw some years from appeal if he so desired.

His Lordship held (ii), that in the case of C. no presumption of advancement arose. The transfer to C., on the face of it, was a conveyance on sale. It was later found that it was not a conveyance on sale but a document put forward with the object of misleading the Revenue into the belief that C. was the purchaser of the shares and that the purchase money was provided not by the appellant but by an aunt. Moreover, C. had paid over most of her dividends to her father or to his firm and it was scarcely likely that she would have transferred the 60,000 shares to her mother on her wedding day unless directed to do so by her father. The Special Commissioners had found that the transfer of the 60,000 shares to C. was a revocable settlement. The conclusion they should have come to was that the appellant had not discharged the onus placed on him by Section 52 (5) of the Income Tax Act, 1952, of showing that the assessments to surtax made upon him were too high. In view of the transfer of the 60,000 shares by C. to her mother on her wedding day it could not be said that the decision of the

Commissioners was wrong, but it was more likely that C. also was a nominee for the appellant.

His Lordship further held (iii), that it was open to the Special Commissioners to come to different conclusions of fact in respect of different years. It was said that because the transaction relating to C. had been litigated by way of case stated in the courts under Section 64 of the Act of 1952 (or the corresponding Section of the Income Tax Act, 1918)

(when it had been found that there was a voluntary conveyance to C.), there was an estoppel and it was not possible to go behind the finding of fact of the Commissioners. The argument, based on *Hoystead v. Australia Commissioner of Taxation* (1926, A.C. 155), was that although the Special Commissioners could find different facts for different years provided there was no decision of the court, they could not do so if there was a decision of law of the court based

on their findings. That was not so. The court could express an opinion only on questions of law. It had no jurisdiction whatever to review the facts and in *Hoystead's* case, where it had been held that there was an estoppel, the decision which was treated as giving rise to the estoppel was a decision not of the Commissioners but of the Australian High Court. Accordingly, the appeal failed in the case of C. also, so that the appeal as a whole failed.

Tax Cases—Advance Notes

HOUSE OF LORDS (Viscount Simonds, Lords Reid, Radcliffe, Tucker, and Keith of Avonholm).

Racecourse Betting Control Board v. Young (H.M.I.T.). July 29, 1959.

Their Lordships unanimously dismissed the appeal by the taxpayer from the decision of the Court of Appeal (see ACCOUNTANCY for October, 1958, page 533). The Court of Appeal had held that certain payments by the taxpayer were not deductible in computing its trading profits.

HOUSE OF LORDS (Lords Radcliffe, Tucker, Somervell of Harrow, Denning and Birkett).

Ostime (H.M.I.T.) v. Australian Mutual Provident Society. July 16, 1959.

Their Lordships (Lord Denning dissenting) dismissed the appeal by the Crown from the decision of the Court of Appeal (see ACCOUNTANCY for July, 1958, page 363). The Court of Appeal had upheld Upjohn, J., who had upheld the Special Commissioners who had discharged assessments under Rule 3 of Case III of Schedule D, Income Tax Act, 1918, in respect of the "life fund interest" of the Society.

HOUSE OF LORDS (Lords Reid, Tucker, Keith of Avonholm, Denning and Jenkins).

Hinton (H.M.I.T.) v. Maden and Ireland Ltd. July 16, 1959.

Their Lordships (Lords Keith of Avonholm and Denning dissenting)

dismissed the appeal by the Crown from the decision of the Court of Appeal (see ACCOUNTANCY for February, 1959, page 89). The Court of Appeal had decided that knives and lasts used in the respondents' business constituted machinery or plant for the purposes of Section 16 (3) of the Finance Act, 1954, and that the expenditure incurred in the purchase thereof was of a capital nature. Accordingly the respondents were entitled to an investment allowance under Section 16.

HOUSE OF LORDS (Viscount Simonds, Lord Goddard, Lord Keith of Avonholm and Lord Evershed).

Bennett v. Rowse (H.M.I.T.). July 6, 1959.

Their Lordships unanimously dismissed the taxpayer's appeal from a decision of the Court of Appeal (see ACCOUNTANCY for November, 1958, page 604), which had held that the taxpayer was liable for a balancing charge arising from the destruction of an aeroplane before the trade carried on by him of hiring aircraft had been permanently discontinued.

COURT OF APPEAL (Lord Evershed, M.R., Romer and Pearce, L.JJ.)

Re Shipside. Barclays Bank Ltd. v. C.I.R. July 21, 1959.

Their Lordships unanimously allowed the Crown's appeal from the decision of Danckwerts, J. (see ACCOUNTANCY for March, 1959, page 160) and held that

the deceased had been in control of the company so that his shares in it were to be valued in accordance with Section 55 of the Finance Act, 1940. The personal representatives were given leave to appeal to the House of Lords.

CHANCERY DIVISION (Danckwerts, J.)
Re Sutherland, Winter and others v. Commissioners of Inland Revenue. June 19, 1959.

Sir Arthur Sutherland died on March 29, 1953. He was the owner of 98,700 shares of £1 each in the capital of S. Ltd., and had had control of the company during the five years ending with his death. Consequently, for the purposes of estate duty, these shares had to be valued by reference to the net value of the assets of the company, in accordance with Sections 50 and 55 of the Finance Act, 1940.

The assets of the company at the date of the deceased's death included five ships, the agreed value of which at that date was £1,150,000. The cost of these ships to the company for income tax purposes was agreed to be £847,907, and at the date of death the company had received capital allowances under the provisions of Part X of the Income Tax Act, 1952, leaving "expenditure unallowed" (as defined by Section 297) of £290,749. Accordingly, in the event of a sale of the ships for a sum in excess of the amount of such expenditure unallowed, under the provisions of Section 292 a balancing charge would be imposed of an amount equal to the excess, and there would result an assessment to income tax and profits tax at the rates appropriate to the year in respect of which the assessment was made.

The ships were in fact sold in the latter part of 1953 and the early part of

1954 for sums amounting to £1,070,505, giving rise (in the particular circumstances) to a balancing charge on £548,318, resulting in an additional income tax assessment on the company for the year 1953/54 at 9s. in the pound amounting to £246,743 and an additional profits tax assessment at the rate of 22½ per cent. for the chargeable accounting period ending on March 31, 1953, amounting to £123,372. The aggregate of this additional tax liability was thus £370,115.

The question raised was whether, in valuing the assets of the company at the date of the deceased's death, any deduction ought to be made in respect of a claim for additional income tax and profits tax which might arise upon a sale of the ships for an amount in excess of the expenditure unallowed in the manner in which that event afterwards happened.

His Lordship, following *In Re Duffy* [1949] Ch. 28, held that no allowance ought to be made.

CHANCERY DIVISION (Vaisey, J.).
Commissioners of Inland Revenue v. Hudspeeth. July 1, 1959.

The taxpayer was a shareholder in H. Ltd., a company to which Section 245 of the Income Tax Act, 1952, applied. A surtax direction (under the corresponding earlier legislation) was made with regard to its income for the years ended March 31, 1951, and March 31, 1952.

Later the company distributed the profits which had been subjected to the direction. The dividend, however, exceeded the profits of the company for the two relevant years.

Vaisey, J., held that the taxpayer was entitled to relief under Section 249 (5) of the Income Tax Act, 1952, on that part only of the dividend that could properly be regarded as a distribution of the income of the company for the years in question and had already been subjected to surtax.

Duple Motor Bodies Ltd. v. Ostime (H.M.I.T.), etc. July 3, 1959.

See the article on pages 390-1 of this issue.

CHANCERY DIVISION (Upjohn, J.).
Mitchell & Edon (H.M.I.T.) v. Ross. July 21, 1959.

This was one of five cases concerning medical specialists who, in addition to having private patients, had accepted appointments under the National Health Service.

The appeal the title of which is above was in respect of R. who held a part-time appointment as a Consultant Radiologist to the Birmingham Regional Hospital Board. The second appeal was in respect of H. who held a part-time appointment as a Consultant Ophthalmologist to the Birmingham Regional Hospital Board. He also lectured to nurses. The third appeal was in respect of M. who held a part-time appointment as Consultant Pathologist to the Birmingham Regional Hospital Board. The fourth appeal was in respect of T. who held two part-time appointments as a psychiatrist, one with the North West Metropolitan Regional Hospital Board and one as clinical assistant in the Department of Psychological Medicine at a teaching hospital. He also undertook work as a *locum tenens* in respect of National Health appointments. The fifth appeal was in respect of D. who held three appointments as a consultant Thoracic Surgeon (1) with a teaching hospital (2) with the South-West Metropolitan Regional Hospital Board and (3) as Chief Assistant at the Brompton Hospital for Diseases of the Chest. He also undertook *locum tenens* work in respect of National Health appointments and lectured to medical students.

Upjohn, J., held that the appointments were offices the emoluments of which were taxable under Schedule E. He further held that the question of whether expenses incurred by the specialists in undertaking visits to patients' homes ("domiciliary" visits) in the exercise of such public offices were deductible had to be determined under Schedule E rules (see below, however). Expenses attendant on the work of a *locum tenens* under a National Health appointment were similarly to be deducted under Schedule E rules. His Lordship accordingly allowed the appeals of the Crown from the decisions of the Special Commissioners, save as regards two matters.

The Special Commissioners had determined that fees from "domiciliary" work undertaken in areas other than that of the Regional Board with which the specialist had contracted were taxable under Schedule D, also that lecture fees were so taxable. In these instances, on appeal Upjohn, J., held that the relevant facts were insufficiently found and, as the Crown did not ask for a remission or a reversal of the Commissioners' decision, in these respects their decision stood.

See also a Taxation Note on an earlier page.

CHANCERY DIVISION (Vaisey, J.).
C.I.R. v. Collico Dealings Ltd. C.I.R. v. Lucbor Dealings Ltd. July 24, 1959.

The facts relating to these appeals were stated in ACCOUNTANCY for June, 1959 (page 327), where actions by the companies to recover tax ordered by the Special Commissioners to be repaid were reported.

The question for decision was whether in Section 4 (2) of the Finance (No. 2) Act, 1955, the words "a person entitled under any enactment to an exemption from income tax" include and apply to persons resident in the Republic of Ireland and not in the United Kingdom (the companies) to which exemption from tax was granted by the various Sections the effect of which was preserved by Section 349 of the Income Tax Act, 1952. The Special Commissioners had answered the question in the negative.

Vaisey, J., allowing the appeals by the Revenue, held that the companies were not entitled to the repayment of tax claimed.

The Russian Buchhalter

People seem to find it much easier to steal when property is not taken from some identifiable person with needs and feelings like those of the thief, but from the State, which is known to be powerful, feelingless, and to have a great deal more property in reserve.

Hence the extraordinarily rigid system of bookkeeping and surveillance to which the ordinary Soviet enterprise is subjected. The manager is automatically treated as an object of intense distrust. The bookkeeper and his staff, who are put in to watch him, are powerful persons. People talk of the bookkeeper (who is known by the German word *Buchhalter*) with a mixture of fear and contempt. He is a familiar Russian figure. He is still pictured as a stiff, dull person, incapable of large ideas, eaten up by his exclusive devotion to pettifogging rules which go back to time immemorial and which nobody really understands. Yet, in the midst of all this, it will usually be conceded by the modern Russian that if the *Buchhalter* relaxed or looked the other way, the whole system would at once be threatened with collapse under a wave of dishonesty and theft. The *Buchhalter* is in fact treated as the repository of the bourgeois conscience—stupid but necessary, powerful but not respected or even highly paid: his function is not to be wise but to be honest and niggling to excess. By hiving off these functions completely and putting an excessively strict policeman in charge, the rest of the society is enabled to relax and avoid being infected by the bourgeois spirit.—Andrew Shonfield in a talk *The Russian Attitude to Money* on the Third Programme of the B.B.C.

Two Months in the City

Election Shadows

The printing stoppage makes us cover two months' story in a single issue. In stock market price movements the months of June and July show many points of similarity, although the reasons currently attributed to the movements were different. The strength of industrial Ordinary shares, which had produced a new high level for the index of the *Financial Times* almost daily from April 24 to June 2, then suffered a sharp reverse, mainly as a result of a shake-out on Wall Street and a realisation that most investment advisers, at least in London, regarded the speculation in property shares and some other sections as extremely unwise. The index fell 8.6 points in one week, while fixed interest stocks continued to rise and the yield margin between Old Consols and equities increased from a mere 1s. to over 6s. 4d. From that point there was a recovery in equities, continuing until July 6, when a new peak of 241.6 was established, but there had been a minor setback in the Funds. Then there was a fall in equities, lasting for eight business days, and the index lost 11.2 points, only to recover over half of this by the end of July. Meanwhile, there had been only an occasional halt in the rise in the general run of fixed interest securities and the Funds had regained the early July decline. Towards the close, however, there was a further weakening in this section, produced by some rise in short-term interest rates and the prospect that issues of trustee status might be resumed before the height of the holiday season. Nevertheless, the yield margin had widened further to 8s. 5d., with some assistance from higher dividends.

Renewed Speculation

While there is no doubt that the main cause of the fall in equities was the publication of an opposition guess about the date of the general election, it is also true that market factors played their part. Of these factors, continued speculation in property shares, and for

a couple of days a gamble in *Ford* shares, based on a false report of a takeover by the American parent, were important. As the month progressed the expectation of an October election grew and by the close there was a very considerable contango position in industrial shares—and more particularly in steel shares, with a contango rate alone of some 10 per cent.—built up by hedging against a Labour victory. There was also the fact of the flow of new issues and placings, mentioned more fully below, not to mention the distraction provided by almost daily news of takeovers and mergers. But by no means all the factors were adverse. Indeed, apart from some surprisingly good company results, news of a more fundamental character was on the whole almost invariably favourable. A whole list of Government publications on the economic position showed beyond doubt that the policy of credit expansion has been working. Home consumption, exports, industrial production, the length of order books and even the position of the machine tool industry have all taken on a favourable turn, while unemployment is again at a low level and retail prices keep steady despite rises in retail sales. These results have been achieved with a smaller volume of employed at least up to end-March, meaning that productivity per head has risen appreciably and also that there is some room for either higher profits or lower selling prices, provided always that the gap is not closed by higher wage rates without corresponding increases in output. Nor is this all, for recovery is running strongly in the United States and is evident in Europe, while the raw material producing countries of the Commonwealth are just beginning to increase their imports. Further, sterling is relatively strong and the outlook for the autumn is considered good, if only because of the reviving trend in the oil industry, which is now a net earner of exchange. In the circumstances the outlook is considered good, especially for equities, apart always from the election risk. The net effect of

all these factors is reflected in the following changes in the indices of the *Financial Times* between May 29 and July 31: Government securities up from 84.78 to 86.32; and fixed interest from 92.88 to 94.20; industrial Ordinary down from 240.1 to 237.0; and gold mines from 94.2 to 89.5. The end-June figures were 86.16, 93.63, 239.0 and 93.8 respectively.

Competition in Takeover Bids—

June was a month of growing excitement and activity in amalgamations by way of takeover bids. The first point to record is the victory of *Odhams* in the battle for control of *George Newnes*. The second the withdrawal by Mr. Clore of the *Sears Holdings* bid for *Watney Mann*. Apparently the directors of *Watney* are beginning to do more or less what Mr. Clore hoped to accomplish and, perhaps, he found that the plum was smaller than he had supposed. It now remains for the Board of *Watney* to show the shareholders that they have not lost by the "as you were" in direction. A second brewery merger looks like going through quietly—namely, the offer by *Ind Coope* for the Ordinary shares of *Taylor Walker*. Here, it seems, there is little to be gained by a change in use of the properties. There is now talk of a merger between *Watney* and *Bass* and also of other amalgamations in the brewing industry. The various brewery moves were relatively straightforward. But three deals created more liveliness by reason of competition among the bidders. Both *Schweppes* and *St. Martin Preserving* made bids for *Chivers*. The bid of *St. Martin* looked more attractive than that of *Schweppes*. But the family which controls *Chivers* and some others plumped for the *Schweppes* offer and as they had the majority of the votes the minority had no opportunity to take an alternative which they may well have preferred. The second deal was in a relatively new field, that of insurance. The *Yorkshire Insurance* made an offer for the *Scottish Union and National* but the news was scarcely public before *Norwich Union*, which had been negotiating for some time, announced that it would make a bid amounting to 135s. for the Ordinary and 67s. for the "A" shares, against a share and cash offer by *Yorkshire* of around 116s. and 57s. 6d. for the two classes respectively. It now seems that the *Norwich* proposal will be adopted.

—The Pace Increases

If July produced nothing so spectacular as some of the June offers, there is

little doubt that the general movement towards fusions, on the lines of what was once called rationalisation, gained force. The most surprising was, perhaps, the decision of Mr. Roy Henderson to hive off his interest in *The Scotsman* and other Scottish papers and make a bid, valued at 90s., for the shares of *Kemsley Newspapers*, with the result that the whole of the Kemsley empire, including the *Sunday Times*, is now under his control. The event caused a stir in the newspaper world, but for so large a transaction it passed off quietly enough. It is not possible to do more than list some of the other operations. Thus *Rolls-Royce* has acquired *Mulliners*; *Westland* has made a share offer for *Saunders-Roe*; Mr. Clore has come back into the market in a small way and acquired *Mappin & Webb*. He appeared to have acquired it largely by private treaty; at least, by the time he came to make an offer for the remaining equity it was one of only 27s. 6d., against a market price which speculators had run up 20s. above that level. Other important transactions were a bid by *Eagle Star* for *Midland Employers Mutual*; one for *Gossard* by *Courtaulds* (which has acquired *Harbens*); merger talks between *Tootal* and *Wm. Hollins*; a purchase of a private company, *Delaney Gallay*, by *Linen Thread*; a bid by *Hawker Siddeley* for *Folland Aircraft* and, rather further afield, a move by *Ultramar* to get control of *Panama Refinery*. To come back home and to beer once more, *Whitbread* and *Flower* have a new link-up; *Dutton's Blackburn* have made a bid for *Crown Brewing of Bury*, while there are talks of a possible merger between *Simonds* and *Courage* and *Barclay*. Two other operations are discussed below.

The Struggle for Harrods

With all these counter attractions, the feature of the period has been the bidding for control of *Harrods* and its subsidiary and affiliated concerns. For the public, the affair started with a bid by *House of Fraser* for both the Ordinary and the Preference capital (the £1 shares of which carry equal voting rights with the Ordinary). There soon followed a bid by *Debenhams* and an announcement that they had been in negotiation with Harrod's Board for some time. Both bids were well above the market prices for each class of shares and there was financially not much to choose between the two. But the Fraser bid was largely in "A" shares with restricted voting rights and Harrod's Board plumped for

the other bid. While everyone was waiting to see what Mr. Hugh Fraser would do, a third bid came from *United Drapery* which was financially by far the most attractive. The Fraser reaction to this was an announcement that "A" shares in *House of Fraser* were to be given full voting rights, with some compensation to the Ordinary shares, and there the matter rested for some time. Then Mr. Fraser announced a definite scheme for transfer of voting rights and a new bid which cut the offered price for Harrods Preference shares from 40s. to 30s. while raising that for the Ordinary. Two days later came a higher bid by *Debenhams* and the withdrawal of the *United Drapery* offer. Since then the relative attractiveness of the two remaining offers has changed with movements in the prices of *Debenhams* and *Fraser* shares, but on this rather uncertain basis the Fraser offer rapidly became the more favourable for the Ordinary and has remained so. At the end of the month Harrods Ordinary and Preference stood at 124s. 3d. and 32s. 3d., respectively, while the *Debenhams* bids were worth 137s. 1½d. and 37s. 9d. and those of *Fraser* 141s. and 30s. Shares of *United Drapery* had meanwhile recovered on its withdrawal from the fight. Only time will show what the outcome will be, but, current prices notwithstanding, the *Debenhams* offer is perhaps on balance the more attractive in the long run, if only because *Debenhams* and *Harrods* conduct similar and compatible businesses.

I.C.F.C. and F.C.I.

Each of the two institutions created just after the war to fill gaps in the machinery for the finance of industry has this year reached a turning point in its career. The *Industrial and Commercial Finance Corporation*, established to provide finance for smaller firms, appears now to be firmly seated. Profits last year increased and the dividend was raised from 5 to 6 per cent. The company has now been made public and £10 million of debentures have been issued. The shares are held by the Bank of England and the clearing and Scottish banks and they have paid up a further £7,500,000, making the Ordinary capital double that figure. Bank loans are to be cut to £15,000,000, which with a reserve of £4 million will give total resources of some £44 million. It is further proposed to increase the size of individual loans or participations made by the Corporation. In fact the original "gap" is now

to some extent being filled by the banks themselves, so that Lord Piercy, the chairman, faced with this loss of business, is inviting the public to participate through I.C.F.C. in rather more ambitious ventures. Meanwhile, the *Finance Corporation for Industry*, hit by the recent recession, has written off £2,550,000 against loans already made in what is presumed to be the national interest. The capital of F.C.I. is owned by the Bank of England and insurance offices, with only 4s. per share of £10 paid up. At the moment no dividend is being paid. To ease the position the Bank of England is making an advance of £5 million at a nominal charge, to be regarded as being paid in advance of calls on the capital. The chairman, Lord Weeks, believes that the write-off covers all possible losses and a substantial part of it may be recovered.

A Flood of Issues

If in June the flow of new issues and placings was somewhat curtailed, the following month more than made good the loss, partly because issues had been held up to see whether or not the printing dispute would make them difficult—in fact, the difficulties were generally surmounted—and in part a rushing forward of claims before the height of the holiday season. Apart from the I.C.F.C. offer, one of the major events was the offer of some £4 million of debentures and a similar sum in rights to Ordinary shareholders in shares of that class by *International Computers and Tabulators* (I.C.T.) followed by an offer of one for five in Ordinary shares of *Electric & Musical Industries* at 40s. There was also a large issue to the public by *Firth Cleveland*, and numerous other issues and placings. The net effect, according to the figures of the Midland Bank, was a total of some £57.5 million of new issues in July, the largest monthly figure since January, 1957, and comparing with only £20.8 million in June of this year. Of the month's issues at least seven were of property companies, most of which established a premium. But of eighteen property groups offering shares recently, seven failed to establish a premium of over threepence on the day on which dealings opened, or actually went to a discount, while eight now stand below the level at the close of the first day; one, *Calgary & Edmonton*, is not much more than half that level, but in two or three instances the improvement is very substantial.

Points From Published Accounts

Emergency Accounts

The prolonged dispute and stoppage in the printing industry frustrated the ambitions of quite a few companies bent on presenting their accounts in more elaborate form this year. The chairman of *Steel and Company*, a Sunderland engineering business, laments: "Coloured photographs of our Sunderland factory were under preparation to accompany these accounts; unfortunately the printing industry strike has prevented their use." Even a giant such as *Beecham Group* did not go unscathed, Mr. H. G. Lazell declaring that it had been the intention to append to the accounts an illustrated section on the notable discovery by the group of a new method of producing penicillin. "Unfortunately," he went on, "at the time of going to press there is a dispute in the printing trade which makes this impossible."

These two comments are random examples from the many that have been made in similar vein by company managements, and they are at least encouraging to those who are concerned to see a further improvement in company accounts. The dispute and stoppage threw into sharp focus the revolution that is currently taking place in presentation—a revolution which, but for the enforced break in normal publication, would have tended to be taken much more for granted. The marked contrast between the look of accounts which had already been prepared before the stoppage and those which have had to be produced by emergency methods has done more than anything to pinpoint the advances made in recent times. What companies have been only too anxious to apologise for over the past few weeks was, not so very long ago, considered to be quite sufficient to appease shareholders.

Yet it has also been noticeable that companies forced to prepare emergency issues of their accounts have put into them the same degree of care that they would have expended in normal circumstances. Some companies, like *Averys*, managed to produce by unorthodox means accounts which differed

remarkably little from what they normally send out. Others made the most of what printed material they had managed to secure before the stoppage began, and combined it with duplicated sheets—an example is *Edmunds, Walker*. Perhaps it was not so surprising that *John Waddington*, a business specialising in lithographic and other colour printing, should have been one of the hardest hit companies, being able to manage nothing more than six sheets of folded double foolscap stapled down the left-hand margin. Even in this format, however, obvious care had been taken with the layout of the balance sheet and profit and loss account, which presented a quite neat appearance. Three other companies which felt the full blast of the stoppage were *Beeston Boiler*, *British Maritime Trust* and *Emu Wool*; both *Beeston* and *British Maritime* saw fit to comment on their inability to prepare normal printed accounts.

But for the fact that the dispute took place at a time when the seasonal flood of accounts was beginning to tail off, the impact would undoubtedly have been much more severe. Because of the length of the pipeline, it was only near the end of the stoppage that duplicated accounts were becoming frequent. Most companies were able to scrape through by omitting some of the more elaborate features, and in several instances it was only their own comment on the standard of presentation that drew the reader's attention to its deficiencies. By and large, the need to adhere to a financial timetable took precedence over presentation, as indeed was right. Without any knowledge of how long the stoppage was likely to last companies obviously could not delay the presentation of the annual report and the holding of the annual meeting indefinitely. The directors of at least one company, however, *Tesco Stores (Holdings)*, were able to make good the omissions of their emergency accounts with a full presentation some while later. The complete edition of its accounts was in more elaborate form than in previous years, including a review of forty years' progress. Unable to produce full illustrated accounts in its

normal fashion, *General Electric* has promised shareholders an illustrated review of the year's work later on to make up the deficiency. A normal coloured cover, obviously rescued before the strike, clothed the accounts of *Metal Industries* but the inside pages were entirely produced from within the company and Sir Charles Westlake apologised for their "home-made" appearance. The company is one of the most progressive, and in the previous year printed charts showing the number of shareholders in the business and their increase over the past decade. This year it proved impossible to give these charts, and so Sir Charles made a point of incorporating the information in his statement instead.

Probably the only company actually to have scored in the matter of presentation from the printing stoppage is *Rotaprint*. Handed a golden opportunity to show what its own specialised printing machines could do, the compilers of this year's accounts gave forth a really remarkable product, entirely the work of their own organisation. The attractiveness of these accounts must make many people think very hard about the merits of having one's own printing machinery to hand instead of relying on traditional methods. Full colour plates have been used on the cover, and the inside illustrations, as well as the heading blocks, are in colour. The accounts leave one thinking that there is nothing normal printing methods can accomplish which cannot be as well achieved on a Rotaprint machine.

Consolidation and Comparative Figures

Mergers are becoming much more frequent, and they always raise accounting complications. Usually, the first accounts of the consolidated undertaking are not comparable with those of the previous year, and so it is necessary to wait another year before being in a position to judge what progress has been made. The compilers of *Stone-Platt Industries'* accounts have met the problem by showing the combined profits of *Platt Brothers (Holdings)* and *J. Stone (Holdings)* for 1957, in addition to those of *Platt Brothers* alone, before the amalgamation took place. As the chairman points out, it is a statutory obligation to give the previous year's figures for comparative purposes, but since, in this case, the statutory comparative figures would present a misleading picture, since they do not include the figures of the *J. Stone* group, the directors have undertaken voluntarily to

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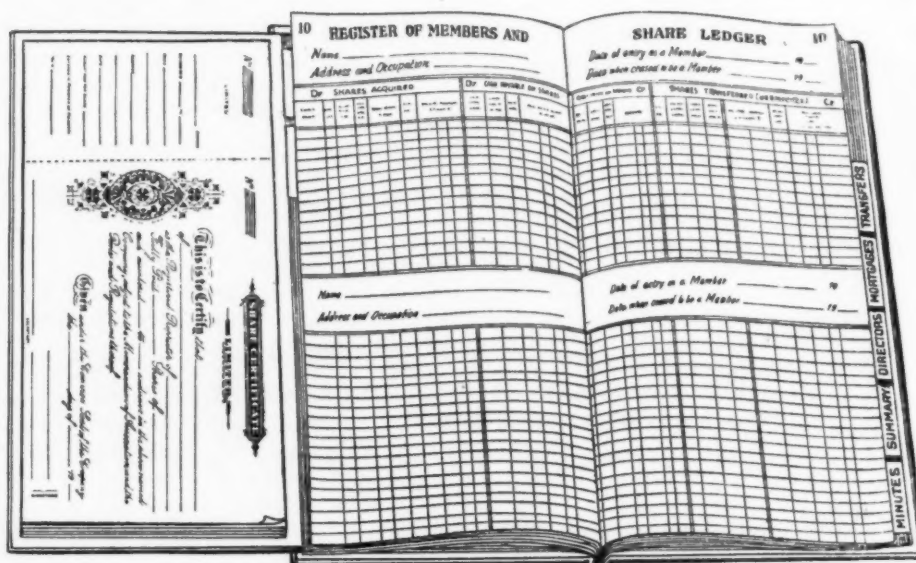
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provide comparative figures that do mean something. This is a commendable action.

A similar position arises in the accounts of *Elliott-Automation*, which is the product of an amalgamation between Elliott Brothers (London) and Associated Automation. The 1958 accounts are the first to cover a full year's operations of the combined group, and there is the further complication that during the year a subsidiary, Associated Insulation Products, was sold. The problems have been overcome by excluding the contribution made by Associated Insulation Products altogether, showing it as an entirely separate item in the group consolidation, and by stating the comparative figures on the basis that the combined group was operating for the whole of 1957, although the merger was effective only from August 1, 1957. Thus shareholders can see quite clearly that the total net profit for the year was £458,628 against £411,651, and that Associated Insulation, now no longer in the group, contributed £41,961 for the period January 1 to April 30, 1958, against £118,528 for the whole of 1957. Similarly, the net assets of this former subsidiary have been isolated in the comparative figures in the balance sheet. It is indeed encouraging to see accounts conforming to the spirit of the Companies Act in this way rather than, as is unfortunately still too often the case, merely conforming to the letter of the law.

Balance Sheet Conundrum

The 1957 accounts of *O. and M. Kleemann* were open to criticism for the absence of detailed information about the acquisition of a majority interest in Erinoid at the end of the year. The principal cause for complaint was that nowhere was it stated exactly how many shares in Erinoid had been acquired at the balance-sheet date. All that shareholders were specifically told was that a minority of Erinoid shareholders did not accept the offer for their shares. In fact, shareholders more conversant with accounts and accounting procedure could have calculated the number of Ordinary shares acquired by December 28, 1957, from the increase in Kleemann's capital related to the terms of the offer (five Kleemann 1s. shares for every four Erinoid 5s. units). Having done that, they would then have been presented with an unaccountable discrepancy in the amount of Debenture stock issued as part consideration for

Erinoid's shares—on the basis of 16s. nominal of stock for every four Erinoid shares. The actual increase in the Ordinary capital was from £232,082 to £283,009, which argued that 814,832 Erinoid shares had been acquired. And if this figure was correct, then there should have been only £162,966 of Debenture stock in issue—not the £202,965 appearing in the balance sheet.

These points find an echo in the latest accounts, which are equally silent on the exact number of shares held in Erinoid. The Ordinary capital is now shown to have gone up from £283,009 on December 28, 1957, to £288,903 at January 3 last, which suggests that a further 94,304 Erinoid Ordinary shares have been acquired. At the same time, further Preference shares have been acquired, for there are now shown to be only 39,939 Erinoid Redeemable Preference shares in outside hands, compared with 159,983 a year earlier. Once again, however, the increase in debenture stock, from £202,965 to £221,828, does not seem to tie in with the increase in Ordinary capital.

Perhaps these may be considered only small points—certainly if one takes the view that it is enough merely to know the consolidated position, and the proportion of the total net assets which is attributable to the outside shareholders. This item, in fact, has gone down from £609,297 to £221,828, confirming that further shares in Erinoid have been acquired during the period. But it would surely have done no harm to make a positive statement of the exact position as at the balance-sheet date—either in the chairman's statement or in a note to the accounts. That is what the majority of companies do in a similar situation.

A Government Example from East Africa

The accounts of government departments are usually pretty frightening documents for the layman but those produced by the *East African Posts and Telecommunications Administration* for 1957 are uncomplicated and admirably supported with printed information. Fully detailed appropriation accounts are provided as well as the operating accounts, though it is understood that as from the current year it is proposed to publish operating accounts only. We shall presumably no longer be able to see at a glance why actual expenditure has differed from the estimates, and where it has differed—information contained in Abstract XI of the 1957 accounts.

Understandably, the appropriation accounts are concerned mainly with outgoings, the analysis of total figures in this section being much more extensive than for revenue.

The operating accounts themselves are extensive, and incorporate the useful feature of showing the percentage of the whole for which each item accounts—a most useful feature in accounts of this nature. Thus sales of stamps, at £1,045,817 in 1957, is shown to be 58.25 per cent. of the total operating income, as against 53.60 per cent. in 1956.

Progressiveness

The 1958 accounts of *Booker Brothers, McConnell* are up to their usual high standard of informativeness. The format is unchanged, but it is interesting to see that the directors (to quote from their report) "are giving consideration to amalgamating general reserves and unappropriated profits under some such title as Profits Retained in the Business, because the separate titles give an impression of a distinction which does not exist." If the directors approve such a move they will be acting in line with the present trend of thinking, championed in these notes for some time. The directors' report of Booker Brothers is particularly notable, incidentally, for making an obvious attempt to be of real help to the shareholder who perhaps is not very familiar with accounts. Most reports are content to repeat the changes in balance-sheet figures parrotwise: it is most refreshing to come across a report that amplifies these changes with pertinent comment. Thus:

Interests of Minority Shareholders in Subsidiary Companies. The main reasons for the increase of nearly £700,000 lie in the fact that in acquiring control of Enmore Estates Limited, and of Sigmund Pumps Limited, minority holdings of 49 per cent. in the case of Enmore Estates, and 10 per cent. in the case of Sigmund Pumps, have been introduced.

Quite apart from this down-to-earth approach (which many companies could profitably emulate) shareholders in Booker Brothers are liberally supplied with ancillary information about the business in a comprehensive annual review appended to the accounts.

In the June issue of ACCOUNTANCY (page 306) reference was made to *International Computers and Tabulators Ltd.* It is regretted that a transposition occurred in the initials of the company, which should read I.C.T.

Letters to the Editor

Inflation and the Accounts of Steel Companies

Sir,—Professor Baxter is to be congratulated on the thorough and painstaking work which has resulted in his most interesting article published in your May issue. However, I should like to take issue with one aspect of his argument.

Throughout the article, Professor Baxter speaks of "correcting" the published figures of the companies. Under "Aspects Studied," for example (page 251), he mentions "(1) correction of recorded gains," by which I take it he means "recorded profits" or, if distributions are taken into consideration, "recorded surpluses" (his terminology). Does he thereby mean to imply that the figures published by the three companies concerned were not correct? If they were prepared in accordance with generally accepted accounting principles, then we must assume them to be correct. Perhaps he means not "correction" but "adjustment in respect of the effects of inflation," in which case this should have been clearly stated in order to avoid the impression that the article is a critique of generally accepted accounting principles.

The force of this point can be appreciated by examining Table 3A on page 256, where it can be seen that the companies' equity capital and reserves (items *i*, *k* and *m*) rose by £9,695,000 between 1938 and 1947, a figure which should be compared with the total of Professor Baxter's inflation charges (item *n*), £9,474,000. It would appear that the managers of the three companies were either inspired guessers or else well aware of the nature and size of the problem posed by inflation. I submit that these companies would not have been able to estimate and adjust for the effects of inflation so accurately had they not had at their disposal correct profit and loss accounts for each of the ten years, prepared in accordance with generally accepted accounting principles.

With regard to the underlying objective of Professor Baxter's study—the measurement of changes in real values—it appears to me that these cannot be assessed on a historical basis, as he attempts to do. The "real" value of a steel company is its ability to produce steel and to sell it at prices which will leave a margin over costs, and the past costs of assets (or liabilities) which have been acquired in the process have little relevance except when considering possible alternative uses to which the capital could have been put. Suppose, for example, that Professor Baxter had chosen the cotton textile industry for his study instead of the

steel industry—or, even worse, British Railways? It is quite conceivable that he would have produced figures to show that the "real values" of these industries had increased in recent years, whereas both of them have been brought to the edge of economic redundancy.

Thus, if we examine Table 23 on page 254 we might draw the conclusion that the three companies lived on capital during the ten years to the tune of £9½ million, or approximately 30 per cent. of the Ordinary capital plus reserves at the end of 1947 (the £'s have been "stabilised" in terms of 1947 prices), and that they were therefore ill prepared to raise capital for the colossal requirements of the post-war reconstruction years. Nothing could be further from the truth, and the steel industry proceeded to achieve magnificent feats of modernisation financed in part by retentions from current earnings and in part by calling upon public and private savings.

The accountant's model can be used for a variety of purposes, but only so long as its essential nature is clearly kept in mind. Adjustment of individual figures in the light of subsequent knowledge is capable of providing a check on accounting results, but is no substitute for the procedure whereby such results are obtained.

Yours faithfully,

KENNETH S. MOST, LL.B., A.C.A.

Manchester.

PROFESSOR BAXTER WRITES:

(1) My use of "corrected" rather than "adjusted" implies a belief that the published figures were capable of improvement. The article is meant as a critique of generally accepted accounting principles.

(2) I suspect that any resemblance between the two figures is purely coincidental.

(3) I agree that there are various concepts of "value." The concept that is relevant as a guide to new investors does not seem to me to be the best one for annual profit statements. I was suggesting possible improvements in the latter.

Taxing the Pen

Sir,—Having read with interest the article "Taxing the Pen" in the February issue of ACCOUNTANCY (pages 77–80), I should like to know readers' views on some related points.

I have in mind a case where a self-employed person devotes some spare time to collecting data of interest to him in connection with a hobby. As the information is of general interest, there is a likeli-

hood that when he has sufficient he will seek a publisher for it. In order to obtain material for his records various expenses are involved—for example, purchase of reference books, travelling expenses and accommodation, postage and stationery, and subscriptions to relevant societies.

While the pursuit of suitable information is regarded mainly as a hobby, any proceeds of publication are likely to be taxable (as in *Billam v. Griffith*) and it would seem only fair that the expenses should then be allowed by the Inland Revenue. If the first work is a success others may follow, and the profession of author would be clearly established.

But when does the profession begin in such a case? Expenditure is already being incurred, but no publication may take place for four or five years. Can such expenditure be treated now as a loss in the new profession, to be carried forward or set off against income from the main business? Would it help to establish that the profession already exists if the intending author wrote to various publishers offering his work to them on completion?

Section 471 of the Income Tax Act, 1952, allows proceeds of copyright sales to be spread back over three years, but the decision in *Mackenzie v. Arnold* seems to prevent the deduction of expenses incurred earlier than the year in which the proceeds of sale are received.

Yours faithfully,

Shrewsbury.

ALAN TURNER

[It is difficult to comment without knowledge of all the relevant facts. Certain general observations can, however, be made.]

Once the profession of author is commenced, then, every year, to ascertain the profits of the profession, outgoings must be set against receipts, the outgoings of the particular year being set against the receipts of the particular year, on the "cash basis." At the beginning of the profession this process may well result in a loss, which can be treated in the normal way.

When the profession commences depends on many circumstances. For income tax purposes, authorship involves writing for gain, and in our opinion the profession is not carried on until the writer intends that what he is writing shall be published for pecuniary reward. Approaching publishers with a view to their publishing the work on completion would, we think, be evidence that the profession was being carried on.

Mackenzie v. Arnold does not invariably prevent the deduction of expenses incurred earlier than the year in which the proceeds of sale are received. The reason for the disallowance in that case was that the taxpayer was not resident in the United Kingdom when the expenses were incurred. (The facts are set out in the article.) Had he been resident these expenses could have been deducted in the years when they were incurred. See the judgment of Danckwerts, J., at page 369 of the report in 33 T.C.—Editor, ACCOUNTANCY.]

Auditors' Reports

Sir,—In the June issue of ACCOUNTANCY there is a letter on the subject of the shorter form of reports recently adopted by many well-known firms in the profession.

There is one point in some of those reports which perplexes me in that it is stated, *inter alia*, without qualification, that the group accounts show the position of the group. Were not the words "so far as concerns members of the company" inserted in the Ninth Schedule of the Companies Act, 1948, for the reason that a consolidated balance sheet does not show the position from the standpoint of creditors, who normally can look only to the assets of their individual debtor company?

Yours faithfully,

PERPLEXED

Guildford.

(pseudonym of a member
of the Institute)

Sir,—The greater part of my forty-one years as a civil servant was spent on work involving the interpretation and practical administration, and to some extent the drafting, of Acts and Regulations, and there are two topics upon which I should like to comment in the light of this experience.

I. Auditors' Reports

It can safely be assumed that every word in an Act or Regulation has been carefully considered by a number of minds, has a definite purpose, and is aimed at some specific eventuality. In view of this, I suggest that it is very dangerous for the auditor to omit from his certificate words that are put into his mouth by the Act. For example, is it not risky for the auditor to certify, as suggested in the first Letter to the Editor in the June issue of ACCOUNTANCY (page 333), that "Proper books have been kept and the balance sheet is in agreement therewith"? Suppose a court, in proceedings for fraud or a winding-up, decided otherwise. The company would in such a case no doubt seek to shelter behind the auditor's categorical assurance to it, and he would at best be discredited. Whether proper books have been kept in a particular case is, in truth, always no more than a matter of opinion, so far as the auditor is concerned, and it is surely right to phrase the report accordingly.

II. Reserves and Provisions

The Parliamentary draughtsman does not always approach a problem from the same angle as the layman or even a technician. There seems to be an idea in the textbooks, and even in the Institute *Members' Handbook*, that "reserves" and "provisions" are alternative categories into which amounts set aside to meet eventualities other than current liabilities must be assigned. I venture to suggest that this idea is wrong.

As far as I know, the word "liability" is not defined, and it is for us to bring into the accounts under that heading any revenue item necessary to give "a true and fair

view." Paragraph 27 (1) of the 8th Schedule to the Companies Act does say, however, that when we use the word in relation to reserves and provisions we must use it to include disputed and contingent liabilities. When, therefore, sub-sub-paragraph (b) says that the expression "reserve" shall not be applied to any amount set aside for depreciation, etc., or "any known liability," it is surely saying simply that the term "reserve" must not be applied to any sum set aside for a specific purpose—for example, future income tax. I submit, however, that it is a fallacy to suppose that the paragraph expects a sum which cannot be called a reserve (because it is earmarked) to be called a "provision." All that sub-sub-paragraph 27 (1) (a) says is that if we want to set aside an amount for depreciation, etc., or to meet a known liability (whether current, disputed or contingent) of which the actual amount is uncertain, then the amount is to be described in the accounts as a provision, and carries, as such, the obligation to disclose the adjustment needed, if of material amount, when the true figure is known. Paragraph 27 (2) throws upon directors the responsibility for ensuring that no provision is in excess of what is "reasonably necessary" (as this would create a "secret reserve") and requires any such surplus to be brought out into the open as a free reserve.

Taking income tax as an example, seeing that this seems to be the major occasion of heartburning, it would be right to narrate as "provision for income tax" even the amount shown under "current liabilities" if the amount is in dispute and is therefore only "provisional"—an adjective which perhaps aids interpretation.

The difference between assessed tax and future tax (that is, tax on the profit of the year) is largely sentimental, it seems to me. The company has incurred the liability for both, by its operations, but we, as accountants, hesitate to lump the two together. It is to be noted, however, that Part I of the 8th Schedule does not recognise the term "current liabilities"—paragraph 4 (1) requires us to distinguish only between "reserves, provisions, (and) liabilities" on the left of the balance sheet, "classified under headings appropriate to the company's business." From this it would seem that we ought to drop the idea of "current liabilities" and make our main divisions:

- (a) Capital.
- (b) Reserves:
 - (i) Capital.
 - (ii) Revenue, including profit and loss account.
- (c) Debentures, loans, etc.
- (d) Liabilities:
 - (i) Ascertained amounts.
 - (ii) Provisions, duly totalled (paragraph 6 of Schedule).

On this basis, future tax would be shown in category (d) (i), unless the amount "cannot be determined with substantial accuracy," in which case the entry would be under (d) (ii) as a provision.

Paragraph N 19.9 of the Institute

Handbook says that future tax cannot be treated as a provision, because it does not comply with the definition of a liability. Apart from respectfully questioning both statements on ground of interpretation, I would point out that if the tax is *not* a liability, then it is not caught by the definition of what may not be treated as a reserve; and the argument for not treating it as a reserve would fall to the ground—quite contrary, it seems to me, to the intention and meaning of the statute, which in my view clearly aims at ensuring that the accounts of a company shall show accurately (a) what part of its assets is freely available as "reserves" for capital and revenue purposes respectively, and (b) what part of its commitments, as shown in those accounts, is based upon estimates only.

Yours faithfully,

F. W. DANIELS, O.B.E., A.S.A.A.

Newcastle upon Tyne.

Bonus Shares Received by Charity

Sir,—A charitable trust, whose accounts show full details of its investments, holds some Ordinary shares and "A" Ordinary shares in Sears Holdings Ltd. Under a recent capitalisation scheme, one "A" Ordinary share was issued for every four Ordinary or "A" Ordinary shares held.

Can any of your readers suggest how the bonus "A" Ordinary shares arising from the Ordinary shares should be valued and treated in the balance sheet?

Yours faithfully,

DENNIS H. THORN, A.C.A.

North Harrow.

Sealing Deed Envelopes

Sir,—I was interested to read Mr. Hirshfield's letter on the subject of sealing deed envelopes (ACCOUNTANCY, June, page 333). I agree that any system involving sealing wax must be slow and, of course, does not provide any real security, since this type of seal can be fabricated quite easily.

My company produces a metal seal applied by hand pressure, which has been accepted by the Post Office for sealing registered letters. It can be suitably embossed with the names or signs of individual users, and it could not be reproduced. This seal, once broken, cannot be replaced except by a new seal. It is of course designed for use with the Envopak permanent envelope (as used by many banks, insurance companies, etc.), but a special envelope can be supplied for deeds with a suitable window arranged either for inspection without unsealing or for the insertion of a card giving details of the contents.

The seal, of course, could be supplied under a security system to the auditors direct.

Yours faithfully,

FOR ENVOPAK LIMITED

F. H. ARTHUR,
Chairman.

London, S.W.6.

Readers' Points and Queries

Private Use of Car—Hire Purchase Interest

Reader's Query.—The Inspector of Taxes seeks to write back a proportion of the hire purchase interest in respect of a client's car in so far as not used for business purposes. I have not previously met any Inspector who has requested this adjustment, and I cannot find any reference to the point in ACCOUNTANCY.

Reply.—The adjustment required is reasonable. Hire purchase interest is an expense of running the car. Expenditure incurred in running a car in so far as it is attributable to private use must be disallowed.

Wife's Wages in Maintenance Claim

Reader's Query.—A colleague of mine has recently submitted a Schedule A maintenance claim on the house which he owns and occupies.

Included in the figure for repairs is an amount paid to his wife as wages for time spent by her on decorating. The total cost of materials plus wife's wages is not unrealistic for the work done and is considerably less than a public contractor would have charged for the same work.

The Inspector of Taxes has disallowed the sum paid to the wife on the grounds that "wife's wages are inadmissible." No statutory authority for this view is given, but the Inspector states that it is a Head Office ruling.

I should be glad if you would kindly let me know if there are any grounds on which the Inspector's decision can be resisted.

Reply.—Yes. Payments to the wife are allowable, provided it can be proved that the wife has done the work and been paid for it. The difficulty usually arises in proving these two facts, and every case must be argued on its own merits.

Goodwill of Hairdressing Business

Reader's Query.—A client of mine has a ladies' hairdressing salon and is considering selling the business as a going concern.

Can you tell me whether there is any established basis for the valuation of goodwill in such a business? As an

alternative, can you let me know of any basis which has been used in similar circumstances?

Reply.—We are advised that the following factors were considered in the valuation of goodwill on behalf of a company acquiring a business which comprised a number of ladies' and gentlemen's hairdressing salons. Subsequent experience of trading has largely confirmed the valuations as being reasonable.

1. Site value. Ground floor frontage is more valuable than first floor, and primary position better than secondary position.

2. Possibility of alterations and additions to salons. Will these be put in hand, or is there no finance likely to be available for the purpose?

3. Plant and equipment—is it up to date? Experience shows that a constant renewal is required of dryers, chairs and paintwork, as any appearance of shabbiness will adversely affect takings.

4. Trend of takings. If the trend is increasing, there is more likelihood that funds will be available for the above necessary purposes.

5. The extent of advertising. The media used are women's magazines, cinemas and telephone booths, and in general these are quite expensive.

Taking into account these and various other factors, a valuation of the entire business to be acquired was determined and the item of goodwill seemed to work out at some two to three years' purchase of the latest year's net profits. (It will be appreciated that it does not follow that the goodwill of a business should necessarily, or desirably, be calculated as a number of years' purchase of the profits.)

Income Accrued to Date of Death

Reader's Query.—I have dealt with several cases recently where the question has arisen of liability to tax on interest and dividends accrued to date of death. The taxation textbooks have very little to say on this subject and I should be most grateful if you could settle these points which are constantly cropping up:

1. Are building society interest and taxed dividends accrued to the date of death liable to surtax on the deceased?

2. Where the deceased had a life interest in an estate:

(a) Are building society interest and taxed dividends apportioned to the life tenant liable to surtax on him?

(b) Can a claim for repayment of tax be made if the only income in a year of assessment is that which, at the date of the life tenant's death, has accrued on the investments of the estate and is apportioned to the life tenant?

As these points may have to be taken up with the Revenue, any references to the relevant sections of the Income Tax Acts would be appreciated.

Reply.—We cannot agree that all the textbooks neglect this subject. It is certainly dealt with in Spicer and Pegler's Income Tax, for example.

The answers to the questions posed are:

(1) Amounts accrued to the date of death are not income of the deceased and cannot, therefore, be liable to surtax on the deceased's estate (C.I.R. v. Henderson's Exors., 1931, 16 T.C. 282).

(2) (a) As the sum had not been received by the deceased's life tenant during his lifetime, it would for the purposes of administering his estate, under the general law of equity, be a capital sum and not income of the estate. For income tax purposes, the amount is income of the executors and, therefore, of the residuary legatee. (Sections 418, 419, 423, Income Tax Act, 1952; Wood v. Owen, 1914, 23 T.C. 54; Stewart's Exors. v. C.I.R., 1952, 33 T.C. 184).

(b) Since the amount in question would be income of the residuary legatee, there can be no repayment of tax to the deceased life tenant's estate.

Accountancy Chairs in Holland

Three members of the Nederlands Instituut van Accountants have recently become Professors at Dutch universities. Mr. G. Diephuis has been appointed to the Chair of Accountancy in the State University at Groningen. Dr. A. Th. de Lange, President of the Nederlands Instituut, is now Professor of Business Economics, with particular reference to the Financing of Enterprise, in the University of Amsterdam, and in the same university Mr. R. W. Starreveld has been appointed Professor of Administrative Organisation and Administrative Techniques, with particular reference to the Automation of Data Processing. All three are practising accountants and will continue their practices.

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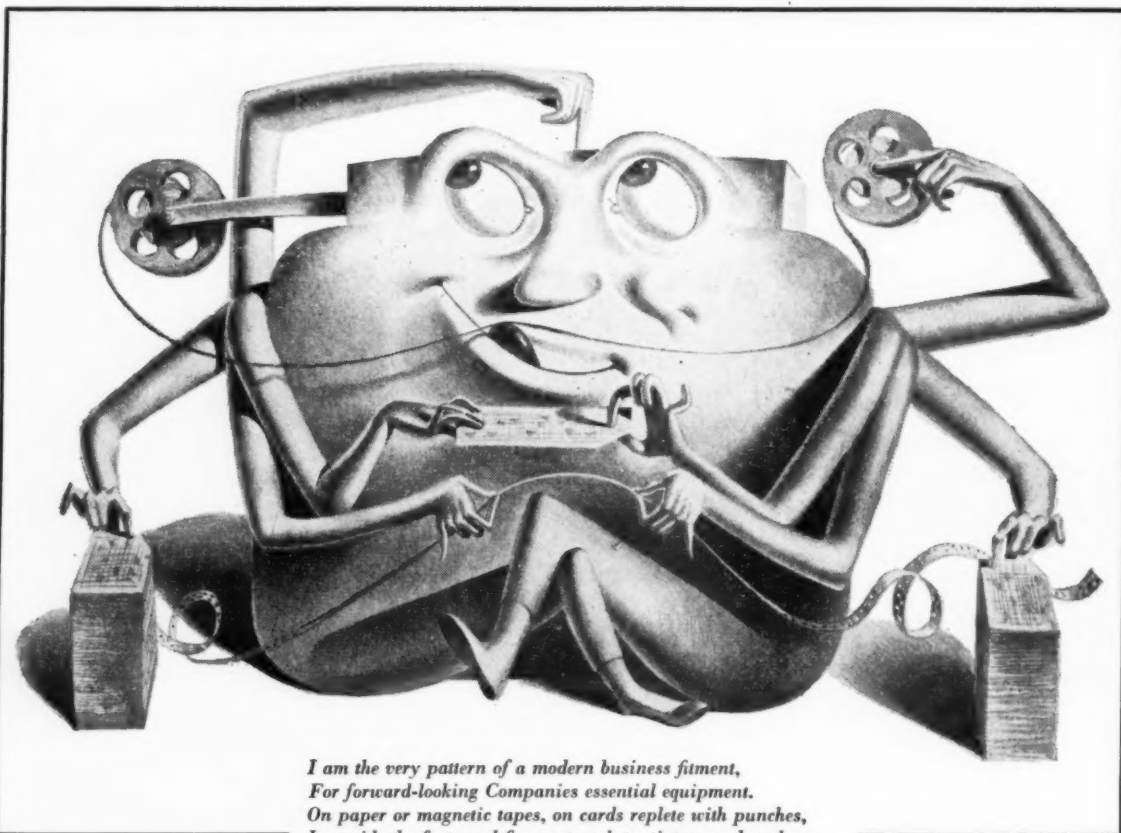


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Publications

Guides to Successful Accounting Practice. Edited by Bernard B. Isaacson. Pp. 162. (*American Institute of Certified Public Accountants*, 270 Madison Avenue, New York, 16: \$3.50 net.)

THIS SELECTION OF material published in the "Practitioner's Forum" of *The Journal of Accountancy* gives a detailed and comprehensive insight into what might be called the best practice in the best practices of our American colleagues. Compiled from contributions of individual practitioners, it fulfils the promise of the introduction by covering almost every aspect of the management of a public accountant's office, from audit procedure to sacking an employee.

The suggestion is made that public accountants must take positive steps to ensure efficiency in their own production lines. Those taking the steps detailed and described as suitable for offices large or small can be certain of earning the sobriquet "highly organised"—even if, in the small practices, they may find little time left after dealing with their own affairs to devote to those of clients!

To at least one reader "production lines" give a hint of a standardised product; perhaps the differences in outlook and in form of expression in America have not been fully appreciated. Some of these differences are clearly demonstrated by the text; it seems doubtful whether the idea of "quickie correspondence" ("dashing off hasty notes to clients without the formality of a letter") is likely to appeal to practitioners in this country or—what is, perhaps, more important—to their clients.

If, however, we are prepared to bear in mind and to allow for these differences, to move with the times, and to adapt the opinions and experiences of others to the problems with which we are faced; if we are willing to bring to the conduct of what might in the past have been a staid and conservative professional service something of the high-pressure salesmanship of our American colleagues, then undoubtedly there lies in this book an excellent opportunity of making a selection of the means by which modern accounting and other techniques can be applied to our own practices.

J.F.A.

Formation of Private Companies. By Douglas Barker, M.A., LL.B., LL.M. (Harvard), Barrister-at-Law, and A. P. Halberstam, M.A., LL.B. Pp. xvi+231 + index 4. (*Sweet & Maxwell Ltd.*: 35s. net.)

THE NUMBER OF private companies registered in the United Kingdom is now nearly one hundred times as great as the number of quoted public companies. The scope for a textbook dealing exclusively with private companies is thus obvious; yet there are few works of any size specially devoted to the subject. The present book therefore makes an opportune appearance. A publishers' note lays some claim to its being "a reliable guide to the specialist" but the authors themselves are more modest and say that the book is not intended for the specialist in company law but is meant to assist the businessman and his professional advisers in answering two questions: (i) how do I form a company and (ii) what will be the effect of incorporation on my or my client's business? Therefore, the book considers the advantages and disadvantages of incorporation and the effects of taxation and death duties; and, by way of good measure, devotes a short chapter to the conversion of a private company into a public company.

The authors make it plain in the preface that their aim has been to make the book "self-sufficient" by reducing references to cases and statutory provisions to a minimum and by including in the text a large number of official forms, and, as appendices to the book, notes of stamp duties and Schedules I and XII to the Companies Act, 1948.

In places there are deficiencies in depth. The authors rightly emphasise the importance of taxation to anyone contemplating the formation of a company and state they have tried to give the reader sufficient detailed information to enable him to judge its general effect in any given circumstances, yet only thirteen pages (in Chapter 3) are devoted to income tax, pensions, surtax and profits tax. On the other hand, the layman may find Part II (which deals with the formation and registration of a company) too complex for his needs.

There are also one or two inaccuracies in the book. Presumably the "Companies Act, 1909" mentioned on page 86 is intended for the Companies (Consolidation) Act, 1908, while the address of the Registrar of Companies in Scotland is given on page 57 as St. Andrew's House instead of 1 Parliament Square, Edinburgh. Also—here the time factor

and not the authors must take the blame—anyone proposing to use Clause 3 (i) (company to pay debts of vendor in connection with the business) of the vending agreement (Form 2) on page 50 should now consider whether the recent decision in *Re Hollebhone's Agreement* (1959, 2 All E.R. 152) may not be applicable.

But despite these small criticisms here is a worthwhile book. Part II in particular (which comprises the bulk of the work) may be read with profit by most people concerned with the subject. A useful feature of the index is that the figures in heavy type indicate forms, while the reader's time is saved by incorporating the forms in the text.

K.B.E.

Dynamic Accounting. By Eugen Schmalenbach. Translated from the German by G. W. Murphy, B.A.(COM.), F.C.A., J.P., and Kenneth S. Most, LL.B., A.C.A. (*Gee & Co. (Publishers) Ltd.*: £2 2s. net.)

THE EXPRESSION "dynamic accounting", as used by Professor Schmalenbach, means the use of accounts to record the progress of a business. In order to achieve this, the emphasis must be placed on the profit and loss account, with the result that the balance sheet will not give a valuation of the business but will show the balances remaining after the various items of income and expenditure for the year have been extracted. This is contrasted with a "static" balance sheet, which is an attempt to portray the value of a business at any given date.

Although such an approach is general in this country today, it should be remembered that this book is an English translation of the twelfth edition of a work, the first edition of which was published in Germany in 1919. At that time, apparently, the prevailing view of the German business community was that profit should be ascertained by comparing the opening value and the closing value of the business.

The translators tell us that this book is a recognised textbook in German universities. It does not purport to be "an accountant's instruction manual," but rather an explanation, from an economic viewpoint, of the theories underlying normal accounting practices. As such, it could be very helpful for students who are receiving initial instruction in book-keeping and accounts: they are often at a loss to understand the reason for the procedures which are generally followed. The experienced accountant, however, will find a large part of the book too elementary to be of interest.

Professor Schmalenbach puts forward some interesting lines of thought in the sections dealing with depreciation, provisions and reserves, and in the chapter on the influence of price changes (normal market variations, not changes in the value of money); but the reader should be careful to treat the views expressed with the reservation that German conditions and legal requirements are different from their English counterparts.

The translation has been done with care and makes the meaning of the text clear. Unfortunately, it does not always manage to avoid giving the reader the impression that it is, in fact, a translation.

L.W.

Estate Duty Saving, including the Incidence of Income Tax, Surtax and Stamp Duty. By J. Brian Morcom, M.A., Barrister-at-Law. Pp. xxxvi+264. (Butterworth & Co. (Publishers) Ltd.: £1 15s. net.)

SINCE 1894 the maximum rate of estate duty has risen from 8 per cent. to 80 per cent., while plans to avoid or minimise the duty have become correspondingly popular. The three standard textbooks on estate duty—*Green's Death Duties*, *Hanson's Death Duties* and *Dymond's Death Duties*—all run to some 1,000 pages or more and all three are the works of officials of the Estate Duty Office. It is hardly to be expected, written as these books are against the Revenue background, that any one of them would be expressly designed to aid the taxpayer or his advisers in minimising his commitments to the Revenue. Indeed, so far as the writer is aware, there is no work extant (of similar size to the one under review) which is devoted mainly to estate duty saving, although the subject often finds a place in works on tax planning. The new work should, therefore, fill a big gap.

The general scheme of the book has been to cover a wide field (including income tax and surtax) within about one-quarter of the compass of the standard works, so that considerations of space dictate the amount of information and guidance that can be given under any one head. This condensation exposes the book in places to the criticism that important matters have been inadequately dealt with. To the accountant estate duty problems of the private company often present a major difficulty, so that it is rather disappointing, in part (B) of Chapter 13, to find the subject treated with such brevity.

Surprisingly, valuation finds no place at all in the general index and in the text. Section 7 (5) of the Finance Act, 1894, (on the "open market" basis) is mentioned only briefly, while Section 55 of the Finance Act, 1940, (on the "assets" basis) and Section 28 of the Finance Act, 1954, (45 per cent. relief) fare little better. On the other hand, two chapters are devoted to the problem of obviating or lessening liability to duty where the individual has an interest under a settlement, and Chapter 7 deals fairly fully with the possibilities of combining an estate duty saving with income tax and surtax advantages by keeping the transaction outside Sections 392-417 of the Income Tax Act, 1952.

A comprehensive introduction delineates the general scope for saving duty and there are useful chapters on gifts, annuities, aggregation, land, foreign domicile and wills. In an appendix are no fewer than thirty-five precedents with a note of the chapters to which they relate, but it might have been better to incorporate these precedents in the appropriate place in the text, as is often done in comparable books.

On the whole the book contains much valuable information and advice, and as an introduction to the standard works or a pointer to the several ways in which estate duty can be avoided or reduced is deserving of a place on the practitioner's bookshelf.

K.B.E.

The Elements of Accounting. Second edition. By L. Goldberg and V. R. Hill. Pp. 300. (Melbourne University Press, London and New York, Cambridge University Press: 25s. net.)

THIS IS THE substantially revised second edition of a book first published in 1947. In 300 pages the authors, after a five-page survey of the economic process as it affects the individual person or business, lead the reader simply and clearly from the idea of the balance sheet as an expression of economic position to the preparation of a complete set of elementary accounting records.

The general approach adopted is in my view exactly what is wanted: double entry is introduced, and taught, as an analysis of changes in balance sheet values. I am sure that this method, which encourages the learner to think about the economic nature of the processes he is analysing, is right; the student who learns in this way is less likely to have trouble later with such complicated problems as consolidations, and the adjustment of accounts

following reconstructions, than one who is taught by rote; and he will perhaps be less likely (provided that the nature and limitations of the valuation conventions are properly explained to him) to be confined later in professional blinkers that will hinder him when he has to tackle the economic problems of business.

The book is restricted to the simplest situations and does not wander off into odd byways of bookkeeping likely to confuse the beginner, whose main task should be the acquisition of general principles. It does not deal with partnerships or companies. Nor does it examine the valuation conventions of accounting. It confines itself to giving a good grounding in the rules of double entry.

Some criticism is possible on points of detail. A few should perhaps receive special comment. In the first place, the book includes a section on bills of exchange. I wonder whether the time has not come to drop from elementary books the treatment of bills, so seldom met in practice. Secondly, I think it unfortunate that the authors have chosen to use the term "equities" for all the credit balances in the balance sheet—liabilities as well as proprietors' interest. Surely "claims" would be perfectly clear and would avoid the risk of confusing liabilities with the "equity" in the sense of the ultimate ownership interest—for example, of the Ordinary shareholders—for which the term is most frequently used. Thirdly, control accounts—which are not mentioned—ought, I believe, to be discussed in a book on the elements of accounting.

It is perhaps niggling to complain about the retention of the vestigial "To" and "By": the authors may put down to personal prejudice my criticism on this score.

The book provides an unassuming, clear introduction to the subject, which will leave the student with little or nothing to unlearn when he comes to more advanced work. Plenty of exercises are provided at the end of each chapter. It is probably the best non-American work of its kind at present available in English, and can be strongly recommended.

H.C.E.

Jordan's Modern Book-keeping. By Frank H. Jones, F.A.C.C.A., A.C.I.S. Pp. xiv+572. (Jordan & Sons: 15s. net.)

A BOOK WHICH, produced originally in two parts in 1947, can run to a total of ten editions in eleven years can claim to fill a want even in the well-tried ways of

book-keeping textbooks. The author's pattern is to explain each book at length, passing from one to the next in a logical order, starting with the purchases book. Eventually the books fall into place in the general framework of the usual book-keeping system.

The chapters are well illustrated and the careful use of capital letters and heavy type should ease revision. Each chapter finishes with three important sections. The first, headed "Common Mistakes to be Avoided", gives the essence of the chapter and spot-lights the more customary pitfalls. The second gives a list of questions requiring written or theoretical (as opposed to a "problem") answer. The third is a list of problem questions of a searching nature, to which answers are given in the first part of the book. There is no doubt that a beginner to book-keeping, studying the book closely and working through the examples, questions and answers honestly, will find the subject carefully explained in the clearest possible manner.

One point requires particular mention. It is refreshing to find a textbook of this nature which gives clear instructions for ledger posting. Mr. Jones states, without any ambiguity and in a set of simple rules, what has to be debited and credited to each type of account, leaving the student with no such vague notion as that which so often befuddles him, about who is the receiver and who the giver.

The book is well written, well printed and in a useful size. It is completely up-to-date in its subject matter (including the vertical layout of company accounts) and should be of invaluable use to the new student almost up to the Intermediate standard, even though one or two features, such as branch accounts and joint venture accounts are missing.

S.W.T.

Work Study in the Office. By Harry P. Cemach, A.C.A. Pp. viii+167. (*Current Affairs Ltd.*: 25s. net.)

WRITERS ON THE study and improvement of office organisation and methods have too often presented the techniques of work study in the form in which they are applied in the factory, failing completely to demonstrate their practicability in the office. Mr. Cemach's aim has been "to teach the work study approach to the problem of increasing office productivity" with "enough practical detail to escape the charge of preaching dry unsupported theory." He has fulfilled the aim most successfully. His fairly

short but wide-ranging book conveys his zest for his subject.

Method study and work measurement are simply and logically explained. One may, however, doubt whether work measurement, which is also known in the factory as time study, will ever be widely applied to office workers. The practical approach of the writer is apparent in his discussion of such matters as the importance of the work study man's relationship with management and staff, and the need to understand the background of an office and its procedures. He devotes a chapter to the verification of purpose—that is, the need to ascertain that a clerical procedure is necessary at all before it is analysed fully. The section on "developing the best available method" combines sound principles with many realistic proposals and comments. For instance, Mr. Cemach concludes his survey of office machinery with a paragraph on the advantages of de-mechanisation.

This work is, in fact, the first book-length introduction to the "methods" part of organisation and methods work, and the author states that had he concentrated only on "the contribution which the work study technique can make to the normal O. & M. approach, the book would have been much shorter."

It is surprising, however, that he dismisses the study of organisation as a field on its own, although he recognises that it overlaps with the study of methods. Also, it is necessary to dissent from the suggestion that "O. and M. is work study applied to clerical problems." Both are based on the scientific investigation and recording of facts, but their techniques differ considerably in practice. The suggestion, and the title chosen for the book, introduce a needless and confusing misapplication of terms.

B.G.H.

Office Management. By J. C. Denyer, A.C.I.S., A.C.C.S. Pp. xiv+443. (*Macdonald and Evans Ltd.*: 45s. net.)

"THE EVER-INCREASING size of business organisations has forced the development of new techniques in office management; . . . managing an office has become a specialist function; no longer can it be viewed as a sideline by any person occupying an administrative position."

Mr. Denyer's book describes comprehensively these "new techniques" to which he refers in the preface. His emphasis on the principles of office management, and his review of the vast

range of office machinery and equipment, is a welcome change from the cumbersome descriptions of detailed procedures for sales offices, purchases offices, accounts offices, stores offices and all the other offices contained in many older textbooks on this subject. He places the responsibility for the application of the new techniques wholly in the hands of the manager.

The principles of office organisation are briefly described and a long section on personnel management provides a valuable guide to a subject which is still often neglected. There are chapters on recruitment, training, promotion and dismissal of staff, timekeeping and salary scales. The new techniques of job grading and merit rating are explained, and attention is drawn to the significance of the rate of labour turnover.

A section on physical conditions covers all aspects of the office worker's environment—layout, furniture, lighting, heating, ventilation, and noise—and, appropriately, in these days of new buildings, the construction and selection of offices.

More than half the book is devoted to the description of all kinds of office machinery and their application, and most of the 151 illustrations appear here. The author's knowledge of office machinery is very extensive and is well conveyed, but he tends perhaps to imply that office mechanisation is an end in itself. His statement that "it would not be surprising if every office has its own electric typewriter and electronic calculating and bookkeeping machines in, say, ten to twenty years' time" is itself most surprising.

But this common hyper-enthusiasm for mechanisation does not seriously detract from the usefulness of a book which certainly fulfils its twofold object, "to be of value not only to students preparing for the various professional examinations, but also to those at present practising office management."

B.G.H.

The Pig Herd Work Book. Pp. 31. **The Poultry Work Book.** Pp. 23. (*Farm Economics Branch, School of Agriculture, Cambridge University*: each 3s. 6d. post free.)

A Guide to the Feed Economy of the Dairy Farm. Pp. 6. **A Guide to the Economy of Pig Production.** Pp. 6. (*Wye College (University of London), Ashford, Kent*: free on application.) *The Pig Herd Work Book* and *The Poultry Work Book* each amount to a specially prepared account book for the

monthly entry of items leading to the preparation of a trading account and profit and loss account. There are notes for each page and guidance is given for the calculation of efficiency indicators. But the value of the indicators would be improved if more standards had been given showing the sort of results which might be expected.

To the accountant, a disadvantage is that inaccuracies may arise from the difficulty of linking the work books with the ordinary books of the farm.

Another disadvantage is that the whole bias of the work books is towards financial results and, whilst the financial results are what matter in the end, value and price fluctuations are so considerable that some people feel that logistical records might provide a better means of measuring efficiency; certainly, by this means only can buying and marketing skill be measured.

In contrast, *A Guide to the Feed Economy of the Dairy Farm* and *A Guide to the Economy of Pig Production*, little leaflets of six pages, merely confine themselves to setting out tables in which financial and logistical results may be calculated into indicators. The great advantage that these Wye College leaflets would appear to have over the Cambridge books is the simple facility with which the various yardsticks may be calculated and compared with the standards set out on the forms.

The Wye College leaflets the professional accountant might conceivably be able to use in conjunction with his client, if farm records are adequate, but the Cambridge work books are more suitable for a farmer "having a go" himself, amid inadequate records. A.F.E.

Covenants, Settlements and Taxation. Second edition. By G. B. Graham. Pp. 71. Oyez Practice Notes No. 35. (Solicitors' Law Stationery Society: 10s. 6d. net.)

TO READ THIS book straight through is a formidable task—a reflection on the hodge-podge of legislation itself, not upon Mr. Graham's exposition of it. He has provided an admirably clear and readable account and is particularly helpful at explaining the interaction of Sections originating in Finance Acts of different years. This is not a work for a beginner, but it can be warmly recommended for reference and revision to accountants advising their clients on settlements.

On deeds of covenant Mr. Graham is lucid and forthright on a number of matters that are sometimes found

puzzling—such as picking up notional arrears, failing to pay, attempting to appropriate other payments, payments of varying amount, and payments continuing after the settlor's death. It would be helpful in another edition to add a list of suggested events uncertain in time that might be used to provide for possible termination of the obligation within six years.

The example of *Wolfson v. C.I.R.* (1949, 31 T.C. 166), in which the obligation to make payments could be brought to an end by the use of powers otherwise available to the settlor, without the settlement as such being revocable, is contrasted with other cases in which the settlement was revocable because the formation of the company was part of the arrangement constituting one settlement in its enlarged income tax definition. These more complicated arrangements are, however, beyond the scope of detailed treatment in the book. Similarly, when Section 408 of the Income Tax Act, 1952, is examined, there is only a brief mention of what (since it is more easily overlooked) seems in practice the greater danger—namely, capital sums emanating from a company connected with the settlement.

The appendix of precedents will be of greater interest to solicitors (for whom the book is primarily intended), but will be useful to accountants as an indication of the possibilities and as a collection of specimens with which to compare draft settlements forwarded for comment.

B.R.P.

Economic Aspects of Industry and Commerce. By J. L. Hanson. Pp. xvi + 369. (Macdonald and Evans: 25s. net.)

The Elements of Modern Industrial Organisation. By F. J. Wright. Pp. xii + 210. (Macdonald and Evans: 18s. net.)

THESE TWO BOOKS are textbooks for those subjects of the examinations of the British Institute of Management the titles of which they bear, and for similar examinations of other bodies—in particular, the Intermediate of the Institute of Cost and Works Accountants.

Neither book assumes any previous knowledge of the subject, but both take the reader over well-mapped ground at a good even pace. So much alike, indeed, are they, in method and standard, that to comment on them separately is almost invidious. It may, however, be said that Dr. Hanson has the wider and less defined area of discourse, amounting to a large part of the economic world. In his preface he says that his aim has been to maintain a balance between

descriptive, theoretical and applied economics, and in this he has largely succeeded. The first part, on "The Purpose of Production" is mainly theoretical; it is followed by a descriptive section on "The Planning and Organisation of Production", and "Some Problems of Production", dealing with such "applied" questions as the location of industry and the size of the business unit. Part IV on "The Determination of Prices" returns to theory with some (very elementary) supply-and-demand diagrams. The remainder of the book covers distribution, money, international economics and the State in economic affairs, in a mainly descriptive way. It would not be reasonable to expect that any great depth can be reached anywhere in so extensive a survey, and the danger exists that the student—and perhaps still more the general reader for whom it is also intended—may be led to believe that he has grasped the whole of a complex and controversial topic when he has really only been made aware of its general character. However, if he reads Appendix I he will be warned by the author that "A single textbook can never provide more than a grounding in a subject and some further reading is necessary if the study of economics is to have any real value."

Mr. Wright has, perhaps, somewhat the easier task; at least the scope of his subject is more narrowly defined than Dr. Hanson's. To begin with we have the familiar discussion of the confused issue as to what is "management" as opposed to "administration" but, this out of the way, Mr. Wright describes the evolution of management theory, the structure of modern industry, the organisation of management, and certain specific problems of production such as design and distribution. He has a gift for clear and concise statement; a large amount of information has been packed into a comparatively short book. It is liberally illustrated with charts which also convey a good deal in a small space. Again, nothing can be discussed at length, or analysed profoundly, but what the examinee wants is here, presented with an experienced efficiency.

R.A.H.

Book Received

An Introduction to Farm Management Analysis. By Graham Hallett, M.A. Pp. 38. (Department of Agricultural Economics, University College of Wales, Aberystwyth: 3s. post free.)

Legal Notes

Company Law—

Liability of B Contributories

In the liquidation of a company whose shares are not fully-paid, B contributories, that is, members who have transferred their shares within the year before the winding-up order, are liable to make contributions subject to certain conditions: in particular, they are not liable to contribute in respect of any debt or liability contracted after they ceased to be members. It has long been held that B contributories are entitled to extinguish or reduce their liability before any call is made upon them by buying up "old debts," that is, debts incurred by the company prior to the date when they ceased to be members. The point that arose for decision in *In re Apex Film Distributors Ltd.* [1959] 2 W.L.R. 8 was whether the B contributories had a similar right to reduce their liability by buying up old debts even after a call had been made upon them.

Wynn-Parry, J., held that the contributories had no such right. By Section 214 of the Companies Act, 1948, the liability of a contributory created a debt accruing due from him at the date when his liability commenced but payable at the times when calls were made for enforcing the liability. In his Lordship's view, once the debt became payable the only way in which it could be extinguished was by payment, and upon a call being made it was no longer open to a B contributory to reduce his liability by buying up "old debts."

Contract and Tort—

Arbitration Clause in Partnership Agreement

O. and H. were partners under an agreement containing a clause that all disputes and questions whatsoever arising during the partnership or afterwards touching the agreement should be referred to a single arbitrator. An action was brought by O. against H. claiming dissolution of the partnership, accounts and inquiries, and the appointment of a receiver and manager, alleging that H. had so conducted himself in matters relating to the partnership business that it was not reasonably practicable for O. to carry on the business in partnership with him and that in the circumstances it was just and equitable that the partnership

should be dissolved; H. applied for an order that the action should be stayed and the dispute referred to arbitration.

In the case, *Olver v. Hillier* [1959] 1 W.L.R. 551, Roxburgh, J., said that the arbitration clause was wide enough to cover the dispute, but it was a matter for the discretion of the Court whether the plaintiff should be allowed to continue with his action. It appeared to him that a partnership dispute which involved the exercise of a judicial discretion as to whether dissolution was just and equitable under Section 35 (1) of the Partnership Act, 1890, and which might involve the appointment of a receiver and manager, was a matter that would more conveniently be left in the hands of the Court, and accordingly he refused to order a stay of the action.

Contract and Tort—

Dismissal of Servant for Disobedience

In *Laws v. London Chronicle (Indicator) Newspapers Ltd.* [1959] 1 W.L.R. 699, the Court of Appeal had to consider whether the summary dismissal of a servant was justified by a single act of disobedience to a lawful order. The Court said that under the general law of contract summary dismissal was justifiable if the conduct complained of was such as to show the servant to have disregarded the essential conditions of the contract of service. Wilful disobedience of a lawful and reasonable order would generally justify summary dismissal, for such disobedience would show a complete disregard of a condition essential to the contract of service. Every case must, however, be considered on its facts.

In this case the plaintiff had been employed by a company for a few weeks as an advertisement representative. She went with D., her immediate superior, to a meeting held in the room of B., the chairman and managing director. During the meeting B. had an altercation with D., who left the room inviting the plaintiff to go with him. B. said to her "stay where you are," but she left the room. The Court said that the plaintiff had been placed in an embarrassing position and that her disobedience did not show a deliberate disregard of the conditions of service. Her summary dismissal was therefore not justified.

Contract and Tort—

Liability of Foreign Bank on English Debt

It may be remembered that in *National Bank of Greece and Athens v. Metliss*

[1958] A.C. 509 (proceedings which started in 1955) a bondholder succeeded in an action against the National Bank as the universal successor under Greek law of another Greek bank which was the guarantor of certain bonds. In 1956 the Greek Government passed a legislative decree which under Greek law effectively discharged the National Bank retrospectively from the obligations of the original guarantor bank in respect of the bonds. In *Adams v. National Bank of Greece and Athens* [1959] 2 W.L.R. 800, the Court of Appeal, reversing the decision of Diplock, J., held that English law, which was the proper law of the bondholders' contract, would recognise the validity of the Greek decree. There was no contract between the bondholders and the National Bank; under Greek law the original guaranteeing bank had been dissolved, and the basis of the bondholders' claim was that under Greek law a new bank had been created charged with the responsibilities of the defunct bank. The change brought about by the Greek decree removed the prop of Greek law upon which the claim was founded, and the action accordingly failed.

Leave to appeal to the House of Lords was given.

Executors Law and Trusts—

Capital or Income

New forms of investment bring their own legal problems. In *Re Whitehead's Will Trusts* [1959] 2 W.L.R. 33, Harman, J., started his judgment thus: "The late Emma Whitehead left included in her estate property of a comparatively novel kind, namely, certain sub-units in three fixed trusts. These her trustees retained during their currency and thus became possessed of what I may call the produce of the sub-units. The problem is that of the allocation of this produce to the beneficiaries under the will, whether interested in capital or income of the estate, and this seems to be a novel question in these courts and one which may become of increasing importance, as this form of investment, or something like it seems to be the fashion of the day."

His Lordship held that the trustees of the will must inquire, just as the trustees holding directly the shares which form the portfolio of a sub-unit must do, whether any sum received was in truth capital, like a bonus share, or income, like a dividend paid out of capital profits. Under the terms of the deed governing the fixed trust the

managers sent to the unit holders copies of the audited accounts distinguishing between capital and income, but his Lordship said that this information was given for tax purposes only and that the managers were not attempting to dictate to the trustees

whether from any other point of view the distributions were capital or income. In any case of doubt the trustees must make their own enquiries. His Lordship recognised that there might be practical difficulties in doing this, as the trustees were not directly interested in the com-

panies whose shares made up the portfolio and had therefore no right to make the enquiries to which a shareholder was entitled; no doubt the fixed trusts could themselves make the enquiries, but he saw nothing obliging them to do so.

An Accountant's Guide to Recent Law

ACTS OF PARLIAMENT

Solicitors (Amendment) Act, 1959. Providing for an increase in membership of disciplinary committee.

Cotton Industry Act, 1959. Enabling schemes made to eliminate excess capacity in the industry to provide for compensation and raising of sums so required by levies on the industry, and enabling Board of Trade to make contributions towards this and grants for re-equipment of industry. (See pages 353 and 389 of this issue.)

Export Guarantees Act, 1959. Increases limits on guarantees under the Export Guarantees Act, 1949.

Factories Act, 1959. Amending provisions for the health, safety and welfare of employees.

Finance Act, 1959. See ACCOUNTANCY for May (pages 263-4) and for June (pages 321-2 and 322) and this issue (pages 393-4 and 394-5).

Landlord and Tenant (Furniture and Fittings) Act, 1959. Prohibition of attempts to obtain from prospective tenants excessive prices for furniture, etc.

New Towns Act, 1959. Establishment of a Commission for the New Towns, with an auditor (to be appointed by the Minister) qualified as provided in the Companies Act.

Statute Law Revision Act, 1959. Repealing obsolete Acts and obsolete provisions in others—including some in Finance Acts relating to national debt and purchase tax.

Town and Country Planning Act, 1959. See a Professional Note in this issue.

Town and Country Planning (Scotland) Act, 1959.

Wages Councils Act, 1959. Consolidating the enactments on Wages Councils.

STATUTORY INSTRUMENTS

No. 937. National Insurance (Industrial Injuries) (Benefit) Amendment Regulations. Provide that increase of benefit shall not be reduced on account of certain grants under War Pensions Instruments.

No. 942. National Insurance (Overlapping Benefits) Amendment Provisional Regulations. Similar provision.

No. 929. Opencast Coal (Requisitioned Land) (Compensation Notice) Regulations. Prescribe form of notice to be served on N.C.B. by person claiming annual compensation.

No. 961. Public Trustee (Fees) Order. Amends Order of 1957—authorises Trustee to charge fees on sale or purchase of securities, land or mortgages.

No. 964. Ploughing Grants Scheme. Provides

for making of grants at two different rates.

No. 980. Opencast Coal (Concurrent Orders and Requisitions) Regulations. Modifying Sections 17, 18, 19 and 32 of Act of 1958 in their application in certain circumstances.

No. 981. Opencast Coal (Annual Value in Special Cases) Regulations. Prescribe method of calculation where land was used for a purpose for which land would not normally be let from year to year.

No. 982. Opencast Coal (Other Land) Regulations. Provide for payment of compensation for land in same ownership as land held under requisition for opencast operations.

No. 1010. Building Societies (Designation for Trustee Investment) Regulations. Prescribe requirements to be fulfilled to satisfaction of Chief Registrar of Friendly Societies before he may designate a building society for purposes of Section 1 (1) of House Purchase and Housing Act, 1959.

No. 1060. Legal Aid (General) (Amendment No. 3) Regulations. Provide for remuneration of counsel in cases under provisions of Section 6 (7) of Act of 1949.

No. 1082. Exchange Control (Definition of Scheduled Territories) Order. Amends list in first schedule of Act of 1947 by deletion of Iraq.

No. 1083. Exchange of Securities Rules. Prescribe procedure as to acceptance of offer to exchange 2½ per cent. Defence Bonds for 3 per cent. Conversion Issue.

No. 1146. Opencast Coal (Claims) Regulations. Prescribe forms to be used, information to be given and time limits to be observed.

No. 1154. National Insurance (Determination of Claims and Questions) Amendment (No. 2) Regulations. Amend the 1948 regulations in consequence of provisions of Act of 1959.

No. 1155. Family Allowances (Making of Claims and Payments) Amendment Regulations. Enable claims to be made in writing otherwise than on a form; etc.

No. 1156. National Insurance (Industrial Injuries) (Determination of Claims and Questions) Amendment Regulations. Revoking part of 1948 Regulations to give effect to provisions of Act of 1959.

No. 1157. Family Allowances (Determination of Claims and Questions) Regulations. Give effect to provisions of Act of 1959.

No. 1169. Family Allowances (Qualifications) Amendment Regulations. Amend Regulations of 1946 to give effect to provisions of Act of 1959.

No. 1176. Purchase Tax (No. 3) Order. Adds to definition of lawn mowers and grass boxes.

No. 1186 (S. 68). Calf Subsidies (Scotland) (Variation) Scheme. Increases subsidy for steer calves born on or after April 1, 1959.

No. 1192. Fertilisers (United Kingdom) Scheme. Payments in respect of certain fertilisers delivered from July 1, 1959 to June 30, 1960.

National Insurance Act, 1959 (Commencement) Order. August 3, 1959, is the appointed day for Section 6 (3), relating to increases in retirement pensions.

No. 1213. National Insurance (Retirement Pension Increments) (Transitional) Regulations. Counting of contributions paid partly before and partly after August 3, 1959.

No. 1233. Silo Subsidies (England and Wales and Northern Ireland) Scheme. Rates for specified works approved between August 1, 1959, and July 31, 1962.

No. 1234. White Fish and Herring Subsidies (Aggregate Amount of Grants) Order. Increases the maximum aggregate to £19 million.

No. 1241. National Assistance (Determination of Need) Amendment Regulations. Increase sums allowed in determining need and make other alterations.

No. 1244. National Assistance (Disregard of Assets) Order. Increases amounts to be disregarded for purposes of national assistance and legal aid and advice.

No. 1247 (S. 71). Silo Subsidies (Scotland) Scheme. Rates for specified works approved between August 1, 1959, and July 31, 1962.

No. 1251 (L. 7). County Court (Amendment) Rules. Amendments consequential on the County Courts Act, 1959, and some amendments of substance.

No. 1255 (L. 8). Plant and Machinery (Valuation for Rating) Rules. Increase fees for referees under Section 24 of Rating and Valuation Act, 1925.

No. 1262 (L. 9). County Court Fees Order. Consolidates, with minor alterations, the Order of 1949 as amended.

No. 1277. Local Government (Allowances to Members) Regulations. Increase maximum rates of subsistence allowances under Local Government Act, 1948.

No. 1282 (S. 75). Local Government (Traveling Allowances, etc.) (Scotland) Amendment Regulations. Increase maximum rates for day and night subsistence allowances.

No. 1290. National Insurance (Overlapping Benefits) Amendment Regulations. Benefit not to be reduced on account of certain grants under War Pensions Instruments.

No. 1350. Legal Aid (Assessment of Resources) Amendment Regulations. Amending rules for computing allowances on incomes of applicants.

Investment Research

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Draft. National Insurance (Non-Participation—Certificates) Regulations.

Draft. National Insurance (Non-Participation—Appeals and References) Regulations. Draft. National Insurance (Non-Participation—Benefits and Schemes) Regulations.

These three draft Instruments cover procedure and conditions for contracting out of the new graduated retirement pension scheme. (See a Professional Note in this issue.)

DECISIONS OF THE COURTS

Administration of Estates

Securities in investment clause in will held to include any stocks, shares or bonds by way of investment.

Re Douglas's Will Trusts (2 All E.R. 620).

Company

Petition sanctioned for scheme of arrangement between company and its three classes of shareholders under which consent of first preference shareholders to issue of debentures was exchanged for increased dividend.

In re Shell Transport and Trading Co. Ltd. (T.N. June 30.)

Under Section 214 of Companies Act, 1948, debt of contributories held payable on call and extinguishable only by payment; liability not reduced by buying after call debts owed to company before transfer of shares.

In re Apex Film Distributors Ltd. (3 W.L.R. 8.)

Construction of Document

Circumstances in which Court may determine meaning of technical terms by consulting dictionaries or by appointment of assessors.

Baldwin and Francis Ltd. v. Patents Appeal Tribunal (2 W.L.R. 826).

Contract

Deceased employee had no right at law to policy moneys under personal accident group insurance policy taken out by employer, since former was not party to contract; no trust could be implied and therefore no equitable interest; accordingly the money did not fall to be deducted from agreed damages under Fatal Accidents (Damages) Act, 1908.

Green v. Russell (3 W.L.R. 17).

Contract to ship goods from Sudan to South of France not avoided by closure of Suez Canal.

Albert D. Gaon & Co. v. Société Interprofessionnelle des Oléagineux Fluides Alimentaires (T.N. June 6).

Shipping company which delivered goods to consignee other than against bill of lading was liable to indemnify shipper although bill expressly excused them from responsibility after discharge of goods.

Sze Hai Tong Bank Ltd. v. Rambler Cycle Co. Ltd. (T.N. June 23).

"After buyers have approved sample" in mercantile contract entitled buyers to refuse delivery if they disapproved.

Wood Components of London v. James Webster Ltd. (T.N. July 15).

Plaintiff held justified in issuing writ claiming specific performance of contract for sale of land in which time was not made of the essence of the contract, since his equitable right had accrued at the date when writ was issued.

Marks v. Lilley (2 All E.R. 647).

Estate Agents

"Introduction of a party prepared to enter into a contract" means "introduction of a party who does enter into a contract".

Ackroyd & Sons v. Hasan (1 W.L.R. 706).

Landlord and Tenant

Landlords' notice determining a tenancy under Section 25 (1) of Act of 1954 need not be construed so strictly as notice to quit at common law.

Boltons (House Furnishers) Ltd. v. Oppenheim (1 W.L.R. 685).

Part 2 of Landlord and Tenant Act, 1954, which gives statutory security of tenure to tenants of business premises, does not apply to a lease of fixtures in such premises.

Mirabeau Ltd. v. Shekman (T.N. June 25).

Semble—there might be circumstances in which "political prospects" would be relevant in determining whether tenant's refusal was unreasonable.

Clifford Sabey (Contractors) Ltd. v. Long (3 W.L.R. 59).

Person requiring premium to be paid contrary to Section 2 (1) of Landlord and Tenant (Rent Control) Act, 1949, could be ordered to refund it to tenant who paid it, notwithstanding that premium had been paid to a third party.

White v. Elmdene Estates Ltd. (2 All E.R. 605).

Local Government

Person surcharged on direction of Minister under Section 229 (1) of Local Government Act, 1933, may apply to High Court for a declaration and relief under Section 230.

Dean v. District Auditor for Ashton-in-Makerfield (2 All E.R. 577).

Master and Servant

Single act of disobedience in the circumstances of this case did not justify summary dismissal of plaintiff, who was accordingly entitled to damages.

Laws v. London Chronicle (Indicator Newspapers) Ltd. (1 W.L.R. 698).

Probate

Person applying for second or subsequent grant through a solicitor may apply by post at Principal Registry in cases where original will is registered or original grant was made at Principal Registry.

Practice Direction (1 W.L.R. 729).

Restrictive Practices

Recommendation as to sanctity of contract made by Association to its members held by Court of Appeal not a restriction in respect of any of the matters set out in Section 6 (1) of Act of 1956 and therefore Court had no jurisdiction to consider validity. Appeal by Registrar dismissed.

In re Blanket Manufacturers' Association Agreement (T.N. June 10).

Agreements terminated and agreed orders made declaring contrary to the public interest certain restrictions contained in them.

Portable Air Compressor Association Agreement.

Pneumatic Tool Association Agreement.

Rubber Proofer Association Agreement.

Associated Manufacturers of Domestic Electric Cookers Agreement (T.N. June 23).

Shipping

Shipowners' obligation under the Hague Rules to exercise due diligence to make a vessel seaworthy applied continuously from at least the beginning of loading until vessel started voyage.

Maxine Footwear Co. Ltd. v. Canadian Government Merchant Marine Ltd. (T.N. June 23).

Trust

Interim order made under Charitable Trusts Acts, 1853 to 1939, enlarging powers of investment.

In re Royal Naval and Royal Marine Children's Homes, Portsmouth (T.N. June 5).

Arrangement varying trust approved, including insertion of clause entitling professional trustee to charge.

In re Archers Settlement Trusts (T.N. June 6).

Order approved varying trusts under will. "Any person" in Section 1 (1) (d) of Act of 1958 includes any person whether unborn or unascertained who might take under the discretionary trust.

In re Turner's Will Trusts (T.N. June 24).

Trust

Effect of exercise of power of advancement was to take money advanced out of trusts of will; it did not transgress rule against perpetuities and was not invalid on ground that it would benefit persons not objects of the power.

Re Pilkington's Will Trusts (2 All E.R. 623).

Order made approving variation of terms of settlement.

In re Derby's Settlement Trusts (T.N. July 14).

Will

Appeal allowed by Court of Appeal—attesting witness allowed to charge since he was appointed only after testator had died.

In re Royce deceased (T.N. July 15). (See page 670 of ACCOUNTANCY, December, 1958.)

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ABBREVIATIONS USED

All E.R. The All England Law Reports

T.N. The Times Newspaper

W.L.R. The Weekly Law Reports

Note: Taxation cases and articles excluded

The Student's Columns

ROYALTY ACCOUNTS—II

IN OUR ISSUE of June (pages 335/6) we considered some general aspects of royalties and the accounting entries for a royalty transaction.

Take now an examination question requiring the entries in the books of C. Ltd. to be shown when the facts are as follows:

On January 1, 1955, S. Ltd. issued a licence to C. Ltd. for the manufacture of an article patented by S. Ltd., and on the same date C. Ltd. issued a sub-licence to T. Ltd. for the same purpose. The main licence provided for a royalty of £1 per article sold, subject to a minimum rent of £7,500 per annum; the sub-licence provided for a royalty of 30s. per article manufactured, subject to a minimum rent of £3,000 per annum. Both licences provided that where the royalties for any year were less than the specified minimum, the deficiency could be recouped out of royalties, in excess of the minimum, for either of the two years immediately following. All payments were made annually on December 31.

Sales by C. Ltd. Sales by T. Ltd. Stock held by T. Ltd. on December 31

1955	..	4,520	1,220	340
1956	..	6,180	2,790	60
1957	..	5,675	1,940	400

The required entries are as follows:

Books of C. Ltd.

		<i>Royalties Account</i>	
1955	£	1955	£
Dec. 31	S. Ltd. 5,740	Dec. 31	T. Ltd. 2,340
			Profit and loss account 3,400
	<u>5,740</u>		<u>5,740</u>
1956		1956	
Dec. 31	S. Ltd. 8,970	Dec. 31	T. Ltd. 3,765
			Profit and loss account 5,205
	<u>8,970</u>		<u>8,970</u>
1957		1957	
Dec. 31	S. Ltd. 7,615	Dec. 31	T. Ltd. 3,420
			Profit and loss account 4,195
	<u>7,615</u>		<u>7,615</u>
		<i>S. Ltd.</i>	
1955	£	1955	£
Dec. 31	Cash and income tax 7,500	Dec. 31	Royalties 5,740
			Short workings 1,760
	<u>7,500</u>		<u>7,500</u>

1956		1956	
Dec. 31	Cash and income tax 7,500	Dec. 31	Royalties 8,970
	Short workings 1,470		
	<u>8,970</u>		<u>8,970</u>

1957		1957	
Dec. 31	Cash and income tax 7,500	Dec. 31	Royalties 7,615
	Short workings 115		
	<u>7,615</u>		<u>7,615</u>

		<i>T. Ltd.</i>	
1955	£	1955	£
Dec. 31	Royalties 2,340	Dec. 31	Cash and income tax 3,000
	Short workings allowable 660		
	<u>3,000</u>		<u>3,000</u>
1956		1956	
Dec. 31	Royalties 3,765	Dec. 31	Short workings 660
			Cash and income tax 3,105
	<u>3,765</u>		<u>3,765</u>

1957		1957	
Dec. 31	Royalties 3,420	Dec. 31	Cash and income tax 3,420
	<u>3,420</u>		<u>3,420</u>

		<i>Short Workings Recoverable</i>	
1955	£	1956	£
Dec. 31	S. Ltd. 1,760	Dec. 31	S. Ltd. 1,470
			Balance 290
	<u>1,760</u>		<u>1,760</u>
1957		1957	
Jan. 1	Balance 290	Dec. 31	S. Ltd. 115
			Profit and loss account 175
	<u>290</u>		<u>290</u>

		<i>Short Workings Allowable</i>	
1956	£	1955	£
Dec. 31	T. Ltd. 660	Dec. 31	T. Ltd. 660
	<u>660</u>		<u>660</u>

Notes

1. The royalties payable to S. Ltd. are calculated thus:

	1955	1956	1957
	£	£	£
Articles sold by C. Ltd.—£1 each ..	4,520	6,180	5,675
Articles sold by T. Ltd.—£1 each ..	1,220	2,790	1,940
	<u>5,740</u>	<u>8,970</u>	<u>7,615</u>

2. The short working, so far as S. Ltd. is concerned, is £1,760 for 1955 (£7,500—£5,740) and this sum is transferred to short workings recoverable account. In 1956, an excess of £1,470 (£8,970—£7,500) is available for recoupment against the short working of £1,760 in 1955, leaving a balance of £290, against which there is taken the excess of £115 (£7,615—£7,500) in 1957. The balance of £175 on short workings recoverable account is no longer available for relief as the time limit contained in the terms of the licence has expired.

3. The royalties payable to T. Ltd. are calculated thus:

	1955	1956	1957
	£	£	£
Articles manufactured by T. Ltd.:			
Sales	1,220	2,790	1,940
Stock December 31	340	60	400
	<u>1,560</u>	<u>2,850</u>	<u>2,340</u>
Stock January 1	—	340	60
	<u>1,560</u>	<u>2,510</u>	<u>2,280</u>
Royalty payable at 30s.	2,340	3,765	3,420

4. The short working, so far as T. Ltd. is concerned, is £660 for 1955 (£3,000—£2,340) and this sum is transferred to short workings allowable account. In 1956, this sum is set against the royalties payable by T. Ltd., so reducing to £3,105 (subject to tax) the amount paid by them to C. Ltd. As the whole short working has been extinguished in 1956, the gross royalty of £3,420 is receivable (subject to tax) in 1957.

COMMISSION ON SHARES AND DEBENTURES

IT IS ONE of the well-known fundamentals of company law that a company must not give financial assistance for the purchase of its own shares or the shares of its holding company. But it may pay *commission* to any person for subscribing or agreeing to procure subscriptions, whether absolutely or conditionally, for any shares in the company. It may also pay *brokerage* on shares.

Commission and brokerage should not be confused. Commission is paid to persons who themselves supply capital or who, usually as underwriters, undertake to take shares which may not be subscribed for by the public. Brokerage is an amount paid to a person who places or disposes of shares.

Commission on Shares

The Companies Act, 1948, lays down certain conditions for the payment of commission, but these provisions do not apply to brokerage. Commission must be authorised by the articles of association (it is not sufficient that authority be contained in the memorandum alone). The rate must not exceed that stated in the articles or 10 per cent., whichever is the less. If the shares are being offered to the public the amount or the rate per cent. of commission must be disclosed in the prospectus. If the shares are not being offered to the public a similar disclosure must be made in the statement in lieu of prospectus or in a statement delivered to the Registrar of Companies. Where a circular or notice, not being a prospectus, inviting subscription for the shares is issued, the information must be shown in the document.

Where persons have agreed for a commission to sub-

scribe absolutely for shares the number of shares involved must be disclosed in the same manner.

The power given to a company to pay commissions on shares is extended to a vendor to the company, or a promoter of it, or any other person who receives payment in money or shares from the company. Moreover, any such person may apply any part of the money or shares he receives from the company in payment of commission, if such payment would be legal if made by the company.

A company may either adopt Clause 6 of Table A, which relates to commissions, or substitute its own regulations. Clause 6 fixes the maximum rate of commission at 10 per cent. and stipulates that "such commission may be satisfied by the payment of cash or the allotment of fully or partly-paid shares or partly in one way and partly in the other."

Underwriting Commission

A common form of commission is that paid to an underwriter. It is usual for a public company, when it is making an issue of shares to the public, to enter into an underwriting agreement so as to protect itself against the possibility of failure to secure applications to the extent of at least the minimum subscription, so making certain that the company will have sufficient working capital and that persons subscribing for shares know that at least the amount which is underwritten will be obtained.

The contract made with the underwriter provides that he shall take up any shares comprised in the whole or a specified portion of the capital offered for subscription

which are not subscribed for by the public.

A frequently quoted definition of an underwriting contract is "an agreement entered into, before the shares are brought before the public, that in the event of the public not taking up the whole of them, or the number mentioned in the agreement, the underwriter will, for an agreed commission, take an allotment of such part of the shares as the public has not applied for."

An underwriter is normally remunerated in the form of a cash payment calculated as a percentage of the issue price of the shares underwritten, but this percentage may be discharged by the allotment of fully-paid shares. Sometimes a further consideration is given in the form of an option for a certain period to subscribe for further shares at a fixed price (not being less than the nominal value, so that no question of a discount arises). This consideration does not constitute a payment of commission within the meaning of the Act and is not therefore subject to the restrictions that have been mentioned.

Commission on Debentures

The restrictions imposed by the Act on the payment of commission on shares do not apply to similar payments in relation to debentures—for example, when a debenture issue is underwritten. The reason is that payment of commission is tantamount to issuing at a discount and that there is no such restriction on the issue of debentures at a discount as there is in the Act on the issue of shares. Subject to the memorandum and the articles of association, commission on debentures may therefore be paid without restriction, but particulars of the amount or rate per cent. of underwriting commission on debentures are required to be filed with the Registrar of Companies within twenty-one days of the issue of the debentures.

Commission on debentures, like commission on shares, must be disclosed in the balance sheet, the annual return and the prospectus or statement in lieu of prospectus.

HOW ALLOWANCES ARE MADE—II

IN THE PREVIOUS article (June issue, pages 334/5), there was explained the allocation of allowances between two classes of earned income. We now show how allowances are commonly allocated where the taxpayer has small amounts of income assessable under other heads.

If his main source of earned income is assessable under Schedule E, it is quite usual for the Schedule A assessment on his own house, and any maintenance claim in respect of the house, to be taken into account in arriving at his coding number for P.A.Y.E. The same treatment applies to small amounts of untaxed interest. The result may be a Schedule E assessment at the end of the year, the salient features of which are as follows:

Illustration

Year 1959/60	£	£
Emoluments of office .. .. .	..	930
Less: National Insurance Contributions (N.I.C.) .. ..	..	13
Expenses .. .. .	..	30
		43
		887
Allowances:		
Earned Income .. .. .	..	200*
Personal .. .. .	..	240
2 Children (12 and 8) .. ..	..	225
Life assurance .. .. .	..	7
		672
Less: Applied against other income as below .. ..	..	33
		639

* Since there is adequate unearned income to cover the National Insurance contributions, the earned income allowance applies to the full £900 (£930-30).

£248

	£
Other income:	
Family allowance	20
Less Earned income relief	5
	15
Post Office Saving Bank (P.O.S.B.) interest in excess of £15	3
House, Net annual value	40
	58
Less Maintenance claim	25
	33
Allowances set off	£33

There is also investment income taxed at source amounting to £100 (gross).

Tax chargeable:

£	£	s.	d.
60 at 1s. 9d. .. .. .	..	5	5 0
150 at 4s. 3d. .. .. .	..	31	17 6
38 at 6s. 3d. .. .. .	..	11	17 6
		49	0 0
248			
Less Balance of reduced rate relief:			
£100 at 1s. 6d. .. .. .	..	7	10 0
		£41	10 0

Most of the £41 10s. would be deducted under the P.A.Y.E. system.

It may help beginners to appreciate the position if we set out the computation in another way.

**CATER,
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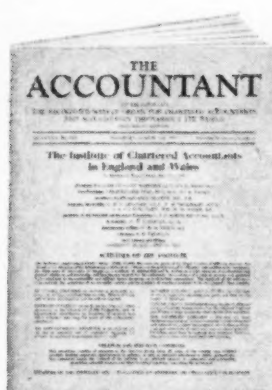
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	£	£	£	£	£	£	£	£
Income		1,093		930	40	20	3	100
Less: N.I.C. .. .	13		13					
Expenses .. .	30		30					
Maintenance claim ..	25				25			
	—	68	—	43				
		1,025		887	15	20	3	100
E.I.R. .. .	205		200			5		
P.A. .. .	240		207		15	15	3	
						20		
Ch. A. .. .	225		225		—	—	—	
L.A.R. .. .	7		7					
	—	677	—	639				
		348		248				100
£60 at 1s. 9d. .. .	5 5 0		£60 5 5 0					
150 at 4s. 3d. .. .	31 17 6		150 31 17 6					
138 at 6s. 3d. .. .	43 2 6		38 11 17 6					£100 31 5 0
348	80 5 0		248 49 0 0					
Less Tax on investment income deducted at source. £100 at 7s. 9d. .. .	38 15 0							38 15 0
			7 10 0		Reduced rate relief set off Sch. E			7 10 0
	41 10 0		41 10 0					

(To be continued)

Notices

The Accountants' Christian Fellowship will hold a meeting for Bible reading and prayer at 12.30 p.m. on September 7 in the vestry of St. Mary Woolnoth Church, King William Street, London, E.C.4. The Scripture will be Hebrews, chapter 13, verses 20-21—the prayer and benediction to the Hebrew Christians. On September 22 there will be a reception by the Chairman of the Fellowship, Mr. D. J. Ginnings, F.C.A., at 6 p.m. in the Oak Hall of the Institute of Chartered Accountants in England and Wales, followed by tea and an address by Mr. H. A. Smith, C.B.E., Deputy Chief Inspector of Taxes.

The Sir John Cass College announces two courses on **Electronic Computing Systems** for executives and others who may have to make preliminary assessments of the suitability of computers for specific commercial tasks. Part I, starting on October 7, comprises nine lectures by Mr. R. G. Mills, M.A., M.Sc., and deals generally with the construction and operation of electronic digital computing systems. Part II, conducted by Mr. A. J. Burton, A.C.A., A.C.I.S., starts on January 13 and is concerned with the

application of computers to commercial operations. All lectures are on Wednesday evenings from 6.30 to 8 p.m. No prior technical knowledge will be assumed. The fee for residents in the County of London is £1 for each course. Enrolment forms are obtainable from the Secretary of the College, Jewry Street, Aldgate, London, E.C.3.

Two schemes for advance payment of public school fees have been devised by the **School Fees Insurance Agency Ltd.**, 10 Queen Street, Maidenhead, Berks. The assisted educational scheme provides for a loan by the parent's employer—assumed, in the examples given in the explanatory booklet, to be £765 at the date of birth of the child. The capital sum is paid to the trustee, Midland Bank Executor and Trustee Co. Ltd., for investment, and in due course the pre-determined fees—assumed to be £300 per annum for five years from age thirteen—are paid direct to the school. The loan is repaid by an endowment assurance policy assigned to the employer. Three alternative plans provide for (a) a temporary increase in salary to cover the cost of premiums on the endowment policy, so that the employer bears the whole cost; (b) an interest-free loan, the employee bearing the cost of the premiums; (c) interest of 5 per cent. per annum by a reduction in salary over thirteen years, so that the full

cost is borne by the employee. It is claimed that the cost, however borne, is much less than that of the more usual method of an educational endowment assurance policy. A separate trustee scheme is available where the parent has no help from an employer but can himself make an advance equital payment.

A one-day conference on **The Health of Business Executives** is to be held in the Royal Festival Hall, London, at 10 a.m. and 2.30 p.m. on November 20. The conference is being arranged by the Chest and Heart Association, Tavistock House North, Tavistock Square, London, W.C.1. Lectures by eminent members of the medical profession will present practical information, for those without any special medical knowledge, on the safeguarding of health, especially of business people exposed to the stress of executive responsibility. The fee is £4 4s. 0d., including morning coffee, lunch (with wines) and afternoon tea.

Big reductions in prices of adding machines are announced by **Burroughs Adding Machine Ltd.**—from £85 to £66, from £43 to £33, with proportionate reductions in intermediate prices. The company has also introduced a new electric adding machine priced at £60, and a new hand-operated model at only £27.

The Institute of Chartered Accountants in England and Wales

Special Meeting

A SPECIAL MEETING of the Institute of Chartered Accountants in England and Wales was held on Wednesday, August 5, at the Hall of the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2.

Mr. C. U. Peat, M.C., M.A., F.C.A. (the President), presided. He said:

Gentlemen, I think it is two o'clock. I hope you will take the notice of the meeting as read. Have I your acceptance of that? (*Agreed.*)

At the special meeting of members held on June 2, 1959, a resolution was passed effecting alterations in the provisions governing fellowship of the Institute and the corresponding alteration in the use of the letters F.S.A.A. by incorporated accountant members. As you were informed in the notice convening today's meeting, the required majority for the resolution was obtained on the poll which was demanded at the June meeting.

Before the proposed changes in the Charter and bye-laws may be submitted to Her Majesty in Council for allowance, the resolution must be confirmed by a majority of members present and voting at a subsequent meeting. That is the business to be transacted at this meeting.

I have before me a copy of the resolution which I have signed for the purpose of identification. Do you agree that the text may be taken as read? (*Agreed.*)

I do not know whether you would wish the Secretary to inform you as to the exact result of the poll; perhaps it would be a good thing if he did so.

The Secretary (Mr. Alan S. MacIver): The report of the scrutineers is as follows:

We, the undersigned, being the scrutineers appointed pursuant to bye-law 99 at the above mentioned meeting, report pursuant to bye-law 100 that in respect of the resolution moved at that meeting and on which a poll was demanded:

We have examined 18,105 voting papers.
14,231 papers recorded votes for the resolution;

3,825 papers recorded votes against the resolution;

49 papers have been rejected by us.

18,105

Our reasons for rejecting 49 papers were as follows:

31 papers were unsigned;
13 papers did not contain sufficient detail to identify the voter as being a member;
5 papers did not record a vote.

(Signed) L. W. BINGHAM
B. W. RIVETT
L. PELLIS
G. F. ANSELL
J. F. TAYLOR

The President: Thank you, Mr. Secretary. I will now formally move:

That the resolution passed on a show of hands at the special meeting held on June 2, 1959, and subsequently by a poll of all members (a copy of which resolution has been produced to this meeting and for identification signed by the Chairman hereof) be and is hereby confirmed.

I will ask Sir William Carrington to second.

Sir William Carrington, F.C.A. (London): I have much pleasure in seconding that proposal.

The President: The meeting is now open for discussion, gentlemen.

A Member: Can you tell me how many fellows voted for and how many against the resolution?

The President: I am afraid I have not got that information.

Mr. L. H. Wrigley, F.C.A. (London): Mr. President and gentlemen, Henry Cotton said "Do not worry about the hole you have played; worry about the one you have got to play." Therefore this afternoon I will not indulge in vituperation about the past but only mention the viewpoint of a member in Liverpool who happened to write to me and describe it as a fraud on the minority. I do, however, want to appeal, if I may, to this meeting to think very deeply and very seriously before they vote this afternoon on two viewpoints. Leaving the past right out of it, practising accountants are the last buffer state between the Government and the taxpayer. By this denigration, lowering of standards, lowering of prestige, all of which I dealt with before, we shall loosen that buffer state.

More important than that, I think, sir, is the future effect on young men who wish to come into this profession or this calling—after all, this profession is a calling. You have to be a certain type of man to be a practising accountant; you have to be a certain type of man to be on the staff of a practising accountant today. You have to feel the thrill of practising; you do not have to worry about remuneration, but just enjoy the excitement of what is being done. I feel that if this confirmation is passed today, some young men in the future, even present articled clerks, may

well be put off from attaining practising status because of the lack of prestige in it, and the profession may well lose a good many men over it. I do earnestly ask you, gentlemen, to think very seriously before you vote for this confirmation this afternoon. Thank you, sir.

Mr. W. A. C. Smelt, O.B.E., A.C.A. (London): As the previous speaker has mentioned prestige, there are two points which I would like to make on that. First of all, I do not think that the qualifications of M.A. and B.A. suffer any denigration because the higher one is subject to a very modest test. Secondly, if prestige is a matter of importance, and I believe it is, there are many accountants not practising in the profession who carry the banner of the Institute very high. (*Hear, hear.*) There is the managing director of B.O.A.C. and there are many well-known members of this Institute who are carrying their professional qualifications in New York, Sydney, Cape Town and all over the world. I suggest that there are many people not working in the profession who are doing a good job for the Institute. I personally claim the right to speak for the non-professional as the one-time Treasurer of a British Colony, and I have often wondered why we were not allowed the privilege of being Fellows when we see it available to a junior partner of a small country practice.

Mr. J. W. Shock, M.A., F.C.A. (London): If I may just reply to what the last speaker has said, I think the answer to the distinction between the professional and the non-professional accountant arises simply from the fact that one is in the profession and the other is out of it. Fellowship is, and always has been since the Institute started, the right of a professional accountant. It is now proposed that that right should be taken away from him, which I think is the point Mr. Wrigley made at the previous meeting. That right, in my opinion, should not be taken away from professional accountants without professional accountants themselves being consulted on the matter. It is a right that is being taken away from one section of the members of the Institute and I think it is quite wrong for it to be taken away without those members themselves signifying their assent to its loss. (*Applause.*)

Mr. M. R. Nathan, F.C.A. (London): Mr. President, I would like to endorse the last speaker's statement. I am not so much against the proposal as the method by which the members of the Institute were approached. I understand that it is not legally necessary to have separate class meetings of fellows and associates to pass this. However, I feel sure there is a moral duty on the members of the Council to have separate class meetings, because it is, in effect, a variation of class rights. I feel that fellows would respond to such a class meeting and I feel that the Institute's approach shows a lack of understanding of the interests of fellows.

Mr. J. A. Wells, F.C.A. (London): I was away on holiday when we had the last meeting, but I read the report of that meeting and it seems to me that one point was made very

clearly. It is this. We might have two associates who pass their examinations and start out in the profession. One goes into the profession and the other one decides to open a sweet-shop. The one that goes into the profession after five years has obtained the practising qualification for a Fellowship and persons approaching a professional accountant and seeing that he is a Fellow are entitled to assume, and they do assume, that he has reached a certain standard in our profession, a higher standing than that of an associate who has not been in practice. It seems to me totally wrong that this associate who has been in a sweet-shop for ten years should have the same qualification and standing as the other associate. That seems to me to be quite wrong. We seem to be taking away something from the existing fellows and not replacing it. It is perfectly proper and in order that a chartered accountant in industry should have some recognition of his attainments in industry, and I cannot help feeling that if he is now going to become a fellow, the associate who is in practice should have some additional qualification, such as being able to qualify for a Master of Accountancy or Doctor of Accountancy. I feel there must be some differentiation between an associate in industry and an associate who has been in practice for a period of years.

The President: Well, gentlemen, I do not

think it is necessary for me to make any closing remarks. We have listened with interest to what you have had to say but there is little that is new so far as we are concerned. I assure you that the Council has for some years constantly considered just the points you have been raising.

With regard to the last speaker, Mr. Wells, he has made a suggestion which, so far as I know, has not been made before. I do not know whether it is practical or not. His suggestion, as I understand it, is that there should be some other qualification for a professional man who has reached a certain standing in our profession, and he has suggested a Doctorate or something like that. We will certainly consider that one, Mr. Wells, and thank you for making the point, which might possibly be a useful one.

There is only one thing I would like to say about Mr. Nathan's remarks—and Mr. Shock also mentioned it—and that is that the Council has taken a strong stand from the point of view of treating the profession as a whole. We have fought, and we shall continue to fight in every possible way, against sectionalising the profession. We want to incorporate industrial accountants, many of whom, as has been said, are very distinguished people and such a great advertisement for our profession, and in that way we want to keep them with us. Nothing

will change our minds on that subject. We do not want sectional meetings and we do not intend to have different meetings to discuss these things.

I hope I have covered all the points and I do not think there is anything more I need say, so I will now put the motion to the meeting. Those in favour? Those against? It is obviously carried—I do not think it is necessary to have tellers. I declare the resolution carried and that ends the meeting, gentlemen. My thanks to you for coming.

Mr. F. W. McGuinness, T.D., A.C.A. (London): Ladies and gentlemen, I think before we break up it would be remiss of us not to pass a vote of thanks to our President for his conduct of the meeting, and, if I am not entirely out of order, I would like to couple with it a vote of thanks to the immediate past President for his exemplary conduct of our rather difficult meeting the last time we met in this room. I have very much pleasure in proposing that a vote of thanks be accorded to our Chairman today and to the Chairman of the previous meeting for their conduct of those meetings.

The motion was carried by acclamation.

The President: Thank you, sir, and gentlemen, very much on behalf of myself and the immediate past President. Thank you very much.

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, July 1, 1959, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. C. U. Peat, M.C., President, in the Chair; Mr. S. J. Pears, Vice-President; Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. W. W. Fea, Mr. J. Godfrey, Mr. G. G. G. Gault, Mr. P. F. Granger, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. P. D. Irons, Mr. J. A. Jackson, Mr. H. O. Johnson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. G. F. Saunders, Mr. K. G. Shuttleworth, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. A. D. Walker, Mr. A. H. Walton, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., Mr. E. K.

Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Readmission to Membership

Subject to payment of the amount required by the Council two former members of the Institute were readmitted to membership under Clause 23 of the Supplemental Royal Charter. Two applications were refused.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary Examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (b) for exemption from the Intermediate Examination was refused.

Reduction in Period of Service under Articles

Two applications under bye-law 61 for a reduction in the period of service under articles were acceded to. One application was refused.

Section 55, Finance Act, 1927

The Secretary of the Institute has received

a letter from the Secretaries' Office (Taxes), Inland Revenue, Somerset House, referring to Section 55, Finance Act, 1927, which provides for relief from companies' capital and transfer stamp duty on the reconstruction or amalgamation of companies. In cases in which the claim to relief is dependent upon the transferee company acquiring not less than 90 per cent. of the issued share capital of the other company, it has been the normal practice of the Board of Inland Revenue to accept for the purposes of adjudication:

(a) the individual transfers executed by the transferors;

(b) a comprehensive form of acceptance of all the shares included in the individual transfers, executed by the transferee company;

(c) a schedule of the individual transfers.

The Inland Revenue now states that where a transferee company submits with the comprehensive form of acceptance a certificate signed by an auditor (being a person qualified for appointment as auditor of the company within the provisions of the Companies Act, 1948) stating that he has examined and checked the individual transfers and certifying the total number of shares included in those transfers, the Board will normally be willing to act on that certificate without requiring production of the individual share transfers. The Board reserve, however, the right to call for individual transfers in particular cases and will require them in all cases where the claim to relief fails, in order to compute the duty payable.

Registration of Articles

The Secretary reported the registration of 105 articles of clerkship during the last month, the total number since January 1, 1959, being 940.

Admissions to Membership

The following were admitted to membership of the Institute:

- §FREEDMAN, MICHAEL; A.S.A.A., 1959; (David Shrand & Co.), United Buildings, High Street, Worcester, Cape Province, South Africa.
- HEARNshaw, PETER JOHN; A.C.A., 1959; 5 Park Close, Solihull, Warwickshire.
- §LEE, COLIN DAVID; A.S.A.A., 1959; with Cooper Brothers & Co., P.O. Box 1913, Cape Town.
- LEWIS, NORMAN CYRIL; A.C.A., 1959; 9 Chequers Way, Palmers Green, London, N.13.
- OGDEN, RONALD; A.C.A., 1959; 56 Bromwich Street, Bolton, Lancs.
- RICHARDSON, TERENCE; A.C.A., 1959; 12 Carr Manor Place, Leeds, 17.
- §SILK, FREDERICK CHARLES ZIERVOGEL; A.S.A.A., 1959; 184 Barry Hertzog Avenue, Greenside, Johannesburg, South Africa.
- SPOTSWOOD, WILLIAM HARRISON; A.C.A., 1959; (S. 1928); Corrienteo 456, Dept. 75, Buenos Aires, Argentina. (With Deloitte, Plender, Griffiths & Co.)
- §STONES, IAN WHITMORE DEVENICK; (1959); A.S.A.A., 1953; 802 West Walk, West Street, Durban, South Africa.
- §VERLANDER, RICHARD HENRY GODFREY; A.S.A.A., 1959; with Alex. Aiken & Carter, Box 2636, Johannesburg National Bank Buildings, Simmonds and Market Streets, Johannesburg.

Elections to Fellowship

The following were elected to fellowship:

- HAWKES, REGINALD ERNEST; A.C.A., 1953; (Whale, Barnett & Co.), 59 & 60 Broad Street Avenue, Blomfield Street, London, E.C.2.
- JACOBS, HARVEY; A.C.A., 1954; (Goldwyn Bros. & Co.), 62/64 Temple Chambers, Temple Avenue, London, E.C.4.
- KING, LEONARD CHARLES VICTOR; A.C.A., 1953; (Francis F. King & Son), 25 Chesham Road, Amersham, Bucks.; also at London (Francis F. King & Son), and (Wallace Cash & Co.).
- PETHERICK, IAN STUART; A.C.A., 1953; 115 Green Dragon Lane, Winchmore Hill, London, N.21.
- WEBB, TREVOR HUGH; A.C.A., 1953; (Francis Webb & Son), 53 Walsgrave Road, Coventry.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- APPLETON, DENNIS JOHN; A.C.A., 1950; (Newman, Biggs & Co.), 14 Harborne Road, Five Ways, Edgbaston, Birmingham, 15.
- BAKER, PETER REGINALD; A.C.A., 1958; (P. V. A. Oldak, Baker & Co.), 45 King's Road, Chelsea, London, S.W.3, and 343 Fulham Palace Road, London, S.W.6.
- BAKEWELL, COLIN MARSHALL; A.C.A., 1951; (Hilton, Sharp & Clarke), 14 Gray's Inn Square, London, W.C.1, and at Brighton.
- BASTIMAN, RAYMOND MACROW; A.C.A., 1958;

- (Smith, Willcox & Co.), 38 Queen Street, Scarborough.
- COULTHARD, BRIAN EDWARD; A.C.A., 1951; (*Pulis, Coulthard & Co.), 6 Woodside, Coalbrookdale, Ironbridge, Shropshire.
- CULLUM, DENNIS LEONARD; A.C.A., 1958; (S. 1954); (White & Pawley), Torrington Chambers, 58 North Road, Plymouth.
- FISH, BRIAN; A.C.A., 1959; 59 Pinewood Green, Iwer Heath, Bucks.
- FRANKLIN, DENNIS AUSTIN; A.C.A., 1956; 9 Pelham Avenue, Scarthoe, Grimsby.
- FRANKLIN, ROYSTON FREDERICK; A.C.A., 1958; (S. 1957); 4 Featherstone Road, Fishponds, Bristol.
- FRANKS, DAVID JOHN; A.C.A., 1958; (S. 1953); (White & Pawley), Torrington Chambers, 58 North Road, Plymouth.
- HAY, CHRISTOPHER HENRY; A.C.A., 1957; (Smith, Willcox & Co.), 38 Queen Street, Scarborough, Yorks.
- HEADY, DONALD EDWARD; A.C.A., 1958; (Donald Heady & Co.), 70 Sowrey Avenue, Rainham, Essex.
- JACKSON, MICHAEL REGINALD AUBREY; A.C.A., 1958; (Chadwick & Hassall), 2A Alexandra Road, Manchester, 16, and (B. Halpern & Co.), 40 South King Street, Manchester, 2.
- JONES, DAVID MERVYN HINDS; A.C.A., 1955; (R. H. March, Son & Co.), Baltic House, Mount Stuart Square, and 8 Windsor Place, Cardiff, and at London.
- MOATE, DAVID WALTER; A.C.A., 1958; (S. 1955); 25/29 Coleman Street, London, E.C.2.
- PARROTT, BRIAN MICHAEL; A.C.A., 1958; (S. 1956); (F. E. Hawkes & Co.), 39 The Grove, Bedford.
- PIKE, LEONARD JOHN; A.C.A., 1959; (Norman & Pike), 37 Church Street, Westbury, Wilts.
- POTTER, WILLIAM SYDNEY; A.C.A., 1958; (S. 1955); (Bryn Owen, Potter & Co.), 22 Iron Gate, Derby.
- RICE, ARTHUR GORTON; A.C.A., 1956; (A. G. Rice & Co.), 10A Walsall Road, Cannock, Staffs.
- RODWAY, ERIC; A.C.A., 1935; (Smithson, Blackburn & Co.), Atlas Chambers, King Street, Leeds, 1.
- SWONNELL, COLIN; A.C.A., 1958; (S. 1954); 28 Picton Place, Newcastle-upon-Tyne, 1.
- WATTS, SPENCER FREDERICK; A.C.A., 1958; (S. 1948); (Phipps & Co.), 82 High Street, Tenterden, Kent, and at Rye.

Admission Void

The Secretary reported that the admission of the following had become void by reason of the non-payment of the admission fee within two months of the date of admission:

SHARP, JOHN WILLIAM EDWARD.

Chairmen and Vice-Chairmen of Committees

The Secretary reported the appointment of the following Chairmen and Vice-Chairmen of Committees for the ensuing year:

Applications

Chairman, Mr. R. P. Winter; Vice-Chairman, Mr. R. McNeil.

Articled Clerks

Chairman, Mr. E. F. G. Whinney; Vice-Chairman, Mr. M. Wheatley Jones.

District Societies

Chairman, Mr. P. F. Granger; Vice-Chairman, Mr. A. D. Walker.

Finance

Chairman, Mr. P. V. Roberts; Vice-Chairman, Sir Harold Gillett.

General Purposes

Chairman, Sir William Carrington; Vice-Chairman, Mr. W. H. Lawson.

Investigation

Chairman, Mr. D. V. House; Vice-Chairman, Mr. P. F. Granger.

Library

Chairman, Mr. T. A. H. Baynes; Vice-Chairman, Mr. D. A. Clarke.

Parliamentary and Law

Chairman, Mr. H. A. Benson; Vice-Chairman, Mr. C. M. Strachan.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

- PEAT, SIR WILLIAM HENRY, C.B.E., K.C.V.O., M.A., F.C.A., London, a member of the Council from 1927 to 1944.
- ANTHONY, ALFRED EDMUND, A.C.A., London.
- BLACK, GERALD SELIG, A.C.A., Birkenhead.
- BRIERLEY, WILLIAM WALLACE, F.C.A., Oldham.
- BUSH, WILLIAM JOHN, F.C.A., Birchington.
- CAREY, RICHARD EDWARD, F.C.A., London.
- EAVES, THOMAS, F.C.A., Liverpool.
- EVERS-SWINDELL, PHILIP, A.C.A., St. Helier.
- GRAHAM, HAROLD, F.S.A.A., London.
- HARRINGTON, KENNETH PROBERT, A.C.A., Newport, Mon.
- HARTFORD, JAMES CLIFFORD FORTESCUE, A.S.A.A., Cape Town.
- HILL, STANLEY BEAUMONT, B.A., F.C.A., Leeds.
- HOLLAND, CHARLES MATTHEW, F.C.A., Birmingham.
- ROGERS, HARRY, F.C.A., Manchester.
- SAUNDERS, VICTOR CHARLES JOHN, F.C.A., Bexley.
- STABLES, WILLIAM HENRY, F.C.A., Kendal.
- WESTON, THE VENERABLE DONALD REGINALD, F.C.A., Kitwe, Northern Rhodesia.
- WHITE, HENRY FOSTER, F.C.A., Leeds.

Mr. C. C. Chokshi

Mr. C. C. Chokshi, President of the Institute of Chartered Accountants of India, who is on a visit to this country, was received by the Council after the conclusion of its meeting. The President extended to him a hearty welcome, to which Mr. Chokshi suitably replied.

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, August 5, 1959, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. C. U. Peat, M.C., President, in the Chair; Mr. S. J. Pears, Vice-President; Mr. J. Ainsworth, M.B.E., Mr. E. Baldry, O.B.E., Mr. W. L. Barrows, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. C. Croxton-Smith, Mr. S. Dixon, Mr. W. W. Fea, Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. P. F. Granger, Mr. D. V. House, Sir

Harold Howitt, G.B.E., D.S.O., M.C., Mr. P. D. Irons, Mr. J. A. Jackson, Mr. W. H. Lawson, C.B.E., Mr. R. B. Leech, M.B.E., T.D., Mr. R. P. Matthews, Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. F. E. Price, Mr. P. V. Roberts, Mr. L. W. Robson, Mr. K. G. Shuttleworth, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. A. D. Walker, Mr. A. H. Walton, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., T.D., Mr. E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Examination Results—May, 1959

The examination committee reported the results of the examinations held in May, 1959, as follows:

	Passed	Failed	Total
Preliminary	67	148	215
Intermediate	762	865	1,627
Final	512	640	1,152

(The names of the recipients of prizes and certificates of merit, as recorded in the Council report, are shown on pages 435/441 of this issue.)

Also reported were the results of the examinations conducted by the Institute as examinations of The Society of Incorporated Accountants:

	Passed	Failed	Total	Completing Examination
Intermediate	163	216	379	163
Final				
Parts I & II together	5	9	14	5
Part I only	†109	75	184	5
Part II only	††244	160	404	243

† includes 10 candidates who sat for both Parts of the Final Examination and passed in Part I only.

†† includes 1 candidate who sat for both Parts of the Final Examination and passed in Part II only.

(Honours certificates were awarded to six candidates in the Intermediate examination of the Society. Their names are shown in the list on pages 442/444 of this issue.)

Certificates Required by Trade Associations and Other Bodies

The Council authorised the publication of the following statement:

1. Trade associations, government and local government departments and other bodies frequently require the signature of an independent accountant in support of information contained in a trader's claim for a subsidy or rebate or for special trading terms or facilities, or in a return required for the calculation of a quota or levy or for statistical use in a particular trade.

2. This is a useful service which practising members of the Institute can provide, but they can only report on matters which are within, and in terms appropriate to, their professional function as accountants. Unfortunately the statements they are expected to sign are often based on an imperfect understanding of the function which the

independent accountant can properly and economically perform. In consequence these statements are frequently unsuitable in one or more of the following respects:

(a) their scope extends to matters outside the functions of an accountant;

(b) their form is such that the accountant is expected to certify the correctness of information given—a factual assertion—in circumstances in which it is not feasible for him to do more than his normal professional service of expressing an independent opinion;

(c) the amount of work required of the accountant, and often of his client, may involve disproportionate expense.

These three aspects are considered in more detail below.

3. **Scope.** It is not within the scope of an independent accountant to report on such matters as:

(a) the intention of his client, for example as to the purpose for which articles or commodities were acquired or the manner in which they are to be used or dealt with;

(b) the technical constitution or quality of a product.

He can however properly report whether a statement (in suitable form) showing, as regards (a), the purchases made and the manner in which they have been used, or as regards (b), the ingredients which have been used in making the product, is in accordance with the records he has examined. If required he can also give his opinion, based on appropriate tests and enquiries, as to the reliability of those records.

4. **Form.** Much misunderstanding arises from misuse of the words "certificate" and "certify." The statement of the independent accountant is properly described as a "report" rather than a "certificate," but, whichever term is used as a general description of the statement, the word "certify" is generally inappropriate in the body of the statement. This may be so for either or both of two reasons:

(a) the word "certify" implies a factual assertion and can therefore only properly be used by the independent accountant in relation to matters of fact of which he has or can obtain first-hand knowledge; he can certify that a given statement is in accordance with particular records or documents because this is a fact which he can verify at first hand, but he can rarely certify that the records themselves are correct, for he cannot normally be sure that he has access at first hand to all the facts behind them; moreover the records may themselves reflect apportionments and allocations which are matters of judgment or interpretation rather than of fact alone;

(b) even in relation to facts which it is possible for an independent accountant to ascertain at first hand, he can only certify those facts if he has confirmed them in their entirety; on matters which he has subjected only to appropriate tests and enquiries, which is the accountant's normal procedure, he cannot do more than express his opinion.

5. **Cost.** The bodies requiring the information and the clients concerned often do not

realise either the extent of the work and consequent expense which the requirements are likely to impose or the extent of the saving which could be achieved by suitable modification of those requirements. Moreover, if the accountant is required only to report whether a statement is in accordance with the relevant records, that entails much less work and expense than a form of words which involves him in forming an opinion as to the reliability of those records or as to the truth and fairness of the statement.

6. **Conclusions.** Unless these three aspects (scope, form and cost) are all given careful attention, serious misunderstanding may arise as to the extent both of the responsibility accepted by the accountant and of the work which he must do to discharge it. The Council therefore wishes to emphasise the following considerations:

(a) a statement is not suitable for signature by a practising member unless—

(i) its subject matter is unambiguous and wholly within the province of an independent accountant (paragraph 3);

(ii) its wording makes clear the extent of the responsibility which the accountant is taking and in particular does not require him to certify the correctness of matters on which he cannot do more than express his professional opinion (paragraph 4);

(b) care should be taken to see that undertakings in respect of which reports are required are not involved in disproportionate or unnecessary expense (paragraph 5);

(c) members who are asked to furnish reports which are unsuitable (see (a) above) should, with the client's consent, take up the matter with the body by whom the report is required; this will be necessary where there is need for the removal of ambiguity in the requirements or for an interpretation of technical trade expressions, or where there is need for significant modification of the scope or wording of the report either because of its inherent unsuitability or to save disproportionate expense;

(d) it should nearly always be possible to amend the wording in such a way as to correct its unsuitability while still satisfying the purpose for which the report is required; failure to agree appropriate amendments with the body concerned should not deter the accountant from making them;

(e) the accountant's responsibility is to report on the claim or statement made by his client; in principle therefore the information on which the accountant is to report should be set out not in his report but in a declaration signed by the client, to which the accountant's report can then be annexed.

7. All members, including those in industry and commerce and particularly members who advise trade associations, are asked to help to ensure that practising members are not confronted with "certificates" which are unsuitable for their signature. Practising members are invited to communicate with the Secretary of the Institute if they are unsuccessful in their efforts to obtain acceptance of an appropriate form of report.

8. Additional copies of this Council statement are available to members, without charge, for the information of clients and of trade associations and other bodies.

Revocation of Exclusion

Two applications for revocation of exclusion were refused.

Registration of Articles

The Secretary reported the registration of eighty-nine articles of clerkship during the last month, the total number since January 1, 1959, being 1,029.

Admissions to Membership

The following were admitted to membership of the Institute:

§MURRAY, ANDREW MILNE; A.S.A.A., 1959; 5 Durham Court, 21 Ameshoff Street, Clifton, Johannesburg.
SHARP, JOHN WILLIAM EDWARD; A.C.A., 1959; with Price Waterhouse Peat & Co., Caixa Postal 1978, Sao Paulo, Brazil.

Elections to Fellowship

The following were elected to fellowship:

ABRAHAM, HYMAN; A.C.A., 1954; (Harry Abrahams), Gloucester Mansions, Cambridge Circus, London, W.C.2.
ASHTON, JOHN; A.C.A., 1938; (†Paice, Chatteris, Barclay & Co.), P.O. Box 160, Ndola, N. Rhodesia.
BARDLEY, JOHN; A.C.A., 1929; (J. Bardley & Co.), 16A Carter Gate, Newark, Notts.
BIRD, ALAN MORRIS; A.C.A., 1953; (Carline, Watson, Bird & Co.), 57/59 Saltergate, Chesterfield, also at Doncaster (J. Thurgood & Co.).
BLOOM, GORDON LIONEL; B.A.(COM.); A.C.A., 1950; (Lewis, Bloom & Co.), 13 Harley Street, Cavendish Square, London, W.1.
CHILTON, JOSEPH; A.C.A., 1952; (J. Civval & Co.), 30 Baker Street, London, W.1.
ELLIOTT, STEPHEN; A.C.A., 1947; (*Riddell Stead, Graham & Hutchison), and (*Barton, Mayhew & Co.), 66 King Street West, Toronto, 1, Canada, and at Calgary, Edmonton, Hamilton, London (Ontario), Montreal, Ottawa, Quebec City, Regina, Vancouver and Winnipeg.
GOODARE, JOHN SHAW; A.C.A., 1947; (Clark, Darby & Goodare), 54 Camp Hill, Birmingham, 12.
GOODMAN, HAROLD LESLIE; A.C.A., 1952; (Hamilton, Shor & Co.), Craven House, 121 Kingsway, London, W.C.2.
HALE, PETER STANLEY; A.C.A., 1940; 39 Lea Road, Wolverhampton.
KEMP, RODERICK CHARLES; A.C.A., 1952; (*Peat, Marwick, Mitchell & Co.), Sandringham House, Shirley Street, (P.O. Box 123), Nassau, Bahamas, and at Kingston and Montego Bay.
LEWIS, DAVID; A.C.A., 1950; (Lewis, Bloom & Co.), 13 Harley Street, Cavendish Square, London, W.1.
MCMILLAN, ERIC DOUGLAS; A.C.A., 1938; (†Price Waterhouse & Co.), 3 Frederick's Place, Old Jewry, London, E.C.2; (for other towns see †Price Waterhouse & Co.).
MAY, CLAUDE VINCENT; A.C.A., 1950; (*Peat, Marwick, Mitchell & Co.), 22/24 Duke Street, (P.O. Box 76), Kingston, Jamaica, and at Montego Bay.
REDHEAD, DONALD JOHN; A.C.A., 1951; (*Martin, Redhead & Co.), and (Redhead & Co.), 225/7 High Road, Ilford, Essex; also at Hornchurch (Redhead & Co.).

SIMPSON, DAVID BROADBENT; A.C.A., 1953; (Simpson, Wood & Co.), Bank Chambers, Market Street, Huddersfield.

THWAITES, WILLIAM ALEXANDER; A.C.A., 1952; (*Peat, Marwick, Mitchell & Co.), 22/24 Duke Street, (P.O. Box 76), Kingston, Jamaica, and at Montego Bay.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

ACKROYD, JOHN HENRY; A.C.A., 1958 (S.1957); 1463 Thornton Road, Thornton, Bradford.
BLINKHORN, ALAN; A.C.A., 1959; (Newton & Blinkhorn), 23 Wood Street, Bolton.

BOULTER, ROY ERIC; A.C.A., 1958 (S.1957); (Massey & Ellison), Princes Chambers, 6 Corporation Street, Birmingham, 2.

BROOKING, ANTHONY CLIVE; A.C.A., 1957; (Brooking, Holmes & Co.), Lloyds Bank Chambers, Basingstoke.

COATES, MICHAEL ARTHUR; A.C.A., 1951; (†Price Waterhouse & Co.), 3 Frederick's Place, Old Jewry, London, E.C.2; (for other towns see †Price Waterhouse & Co.).

DARBY, JOHN OLIVER ROBERTSON; A.C.A., 1953; (Broads, Paterson & Co.), 31/45 Gresham Street, London, E.C.2, and at Chicago, New York and Paris.

DAVISON, JOHN ANTHONY; A.C.A., 1952; (Alfred G. Deacon & Co.), National Chambers, 4 Horsefair Street, Leicester.

DIAMOND, LAURENCE STANLEY; A.C.A., 1956; (Laurence S. Diamond & Co.), 15 Cotswold House, Stamford Hill, London, N.16.

§DIXON, HUGH FREDERICK; A.C.A., 1957; (Alfred G. Deacon & Co.), National Chambers, 4 Horsefair Street, Leicester, and at London.

DIXON, JAMES RYLOTT; A.C.A., 1954; (Richard Place & Co.), Holly Lodge, Brighton Road, Crawley, Sussex, and at East Grinstead.

§DIXON, REGINALD ERRINGTON; (1958), A.S.A.A., 1933; 65 St. Leonards Road, Deal.

ERRINGTON, PETER; A.C.A., 1958 (S.1954); (W. R. Gresty & Co.), Midland Bank Chambers, 97/100 Bute Street, Cardiff.

FARLEY, JOHN MARTIN; A.C.A., 1959; (Charles D. Buckle & Co.), 13 Cheapside, Bradford.

FARROW, JAMES ALFRED; A.C.A., 1958 (S.1925); (John Gordon, Walton & Co.), 7 South Parade, Leeds, 1.

GAINSFORD, JOHN JOSEPH; A.C.A., 1958; (John J. Gainsford & Co.), 2 Herons Lea, Sheldon Avenue, London, N.6.

GLOVER, HENRY MICHAEL; A.C.A., 1949; Merton Lodge, Havant Road, Emsworth, Hants.

GOLDSMITH, JOHN ARTHUR; M.A., A.C.A., 1951; (Robson, Morrow & Co.), 59 New Cavendish Street, London, W.1, and at Birmingham, Glasgow and Sheffield.

GREENWOOD, DAVID LEONARD; A.C.A., 1954; (Gane, Jackson, Jefferys & Freeman), City Gate House, Finsbury Square, London, E.C.2.

HABEY, KENNETH CHARLES; A.C.A., 1958 (S. 1950); (Bradburn & Co.), Duchy Chambers, 24 Sir Thomas Street, Liverpool, 1.

HALL, PETER; A.C.A., 1958 (S. 1943); (Richard Place & Co.), 27 Cantelupe Road, East Grinstead, Sussex, and at Crawley.

HALL, RICHARD; A.C.A., 1940; (T. & H. P. Bee), 13 Chapel Street, Preston.

HEMINGWAY, PETER; A.C.A., 1958 (S. 1951); (John Gordon, Walton & Co.), 7 South Parade, Leeds, 1.

HERBERT, DUNSTAN ANTHONY; A.C.A., 1958 (S. 1936); (†Chalmers, Wade & Co.), 24 Coleman Street, London, E.C.2 (for other towns see †Chalmers, Wade & Co.).

HUGHES, WILLIAM PHILIP; A.C.A., 1929; (James Edwards & Co.), Salisbury House, London Wall, London, E.C.2.

ISHERWOOD, MICHAEL SLATER; A.C.A., 1953; (Leigh, Lawler & Hooper), 55 Hoghton Street, Southport.

JACKSON, PETER HUMPHREY; A.C.A., 1957; (Allen, Baldry, Holman & Best), Bilbao House, 36 New Broad Street, London, E.C.2.

LEGG, LESLIE HARRY JAMES; A.C.A., 1959; (Wellen, Legg & Co.), 24 High Street, Cobham, Surrey.

MACDONALD, JAMES KEITH; A.C.A., 1958; (S. 1956); (Muir, Moody & Co.), 388 Seven Sisters Road, Finsbury Park, London, N.4.

McKOWN, BRIAN; A.C.A., 1959; 28 Keble Avenue, Oldham.

MAGEE, LAURENCE FREDERICK; A.C.A., 1958; (F. A. Magee & Co.), Western Chambers, Station Approach, Hayes, Middlesex.

MILLINGTON, BRIAN JOHN; A.C.A., 1955; 8 Maple Road, Blackheath, Birmingham.

PAGETT, RALPH TREVOR; A.C.A., 1958 (S. 1941); (Spenser, Wilson & Co.), Equitable Chambers, Central Street, Halifax.

PAYNE, LAURENCE GILBERT; A.C.A., 1957; (Malpas, Simmons & Co.), 261A Finchley Road, London, N.W.3, and at Bournemouth.

PRINGLE, CLIFFORD; A.C.A., 1950; (A. W. Price & Smith), 23 Grey Street, Newcastle-upon-Tyne, 1.

§REYNOLDS, ERIC JAMES; (1958), A.S.A.A., 1949; 104 Aldykes, Hatfield, Herts.

RICHMOND, KENNETH; A.C.A., 1958; (S. 1954); (T. & H. P. Bee), 56 Adelaide Street, Fleetwood, Lancs.

RILEY, SYDNEY STERNDAL; A.C.A., 1948; (Leigh, Lawler & Hooper), 55 Hoghton Street, Southport.

ROBEY, EDWARD PETER; A.C.A., 1954; (Cook, Sutton & Co.), Orbit House, 64/65 St. Mary's Butts, Reading.

ROPER, DAVID HARRY; A.C.A., 1956; (Leigh, Lawler & Hooper), 55 Hoghton Street, Southport.

SIMPSON, HARRY DONALD EDWARD; A.C.A., 1955; 28 Forest Drive, Theydon Bois, Essex.

STOCKER, DENIS GEORGE; A.C.A., 1959; (Ernest A. Fox & Co.), 35 Crook Log, Bexleyheath, Kent.

TABOR, JOHN DOUGLAS; A.C.A., 1955; 73 Forest Approach, Woodford Green, Essex.

TRATHEN, ANTHONY CHRISTOPHER; A.C.A., 1957; (*C. Trathen & Co.), 66 Silver Street, Enfield, Middlesex.

VINCE, PETER GEORGE; A.C.A., 1954; (Maw, Ellis, Warne & Co.), 242 London Road, Watlington, Hants.

VOWLES, HOWARD GORDON KENNETH; A.C.A., 1958; (Lawrence D. Rose & Co.), Ludgate House, Ludgate Circus, London, E.C.4.

WOOLCOTT, JOHN; A.C.A., 1954; (*Clifford L. Hancock & Co.), Fore Street, Okehampton, Devon.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from two members of the Society of Incorporated Accountants for admission to membership of the Institute pursuant to the Scheme of Integration referred to in Clause 34 of the supplemental Charter:

†AFZAL, SYED AHMAD; F.C.A., 1959; (S. 1935 f. 1939); (S. A. Afzal & Co.), 190 B, Block 2, P.E.C.H. Society, Karachi, Pakistan.

§ELFFERS, PIETER BERNHARD WILLEM; (1959), A.S.A.A., 1924; 607 Prince George Avenue, Brakpan, South Africa.

By Order of C. E. M. Emmerson, Esq., F.C.A., Receiver and Manager.

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 Messrs. WILD, COLLINS & CROSSE, Solicitors, 6 Old Jewry, London, E.C.2; and of
 Messrs. HENRY BUTCHER & CO., Auctioneers, Valuers and Surveyors of Factories, Plant and Equipment, 73 Chancery
 Lane, London, W.C.2. Telephone: HOLborn 8411 (eight lines)

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Vice-Presidents: STANLEY A. SPOFFORTH, F.C.A., F.C.I.S.
ERNEST BEDFORD, F.S.A.A., F.I.M.T.A., A.C.I.S.

Secretary: A. A. ARNOLD, F.C.I.S.

Membership of the Institute is open only to applicants who have passed either the examinations conducted by the Institute of Taxation or the Final examinations of certain professional bodies.

Fellows and Associates receive: a textbook, annotated copies of Finance Acts, half-yearly Digests of Tax Cases and monthly circulars on special taxation subjects.

Students and others may subscribe to a scheme under which they receive all the publications except that the circulars are not issued monthly, but as and when important new taxation subjects arise.

Examinations for Fellowship and Associateship are held half-yearly. Copies of past Associateship Examination papers, with suggested answers, are available at 3s. 9d. each post free.

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THE SECRETARY

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Summer Course, 1959

The Chairman of the Summer Course Committee reported on the proceedings at Christ Church, and Merton College, Oxford, from July 9 to 14, 1959, and stated that the President had sent letters of appreciation to the three speakers, to the governing bodies of Christ Church and Merton College, and all others concerned with the conduct of the course. The Council decided that the programme and full text of the three addresses should be reprinted in the form of a combined booklet similar to those prepared for previous courses. Copies will be printed as soon as possible and will be obtainable on application to the Secretary of the Institute, price 5s. each, post free. An order form will be sent to all members when the booklet has been printed. Members are requested not to apply for copies until they have received the order form.

Summer Course, 1960

The Council has approved the holding of a similar course from Thursday, September 15, to Tuesday, September 20, 1960.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary Examination were acceded to.

Exemption from the Intermediate Examination

Two applications under bye-law 85 (b) for exemption from the Intermediate Examination were acceded to and one was refused.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Change of Name

The Secretary reported that the following change of name had been made in the Institute's records:

GUTERMAN, LUTZ, to GOODMAN, LOUIS.

Resignations

The Council accepted the resignations from membership of the Institute of:

BURR, DONALD EDWIN; A.C.A., 1958; (S. 1950); 43 Somersby Gardens, Ilford, Essex.

EVERSHED, NORMAN WILLIAM; A.C.A., 1933; 244 London Road, St. Albans.

GADD, ROBERT CHARLES; A.C.A., 1948; Ste. 503, 2,300 Portage Avenue, Winnipeg 12, Manitoba, Canada.

§ Means "incorporated accountant member."

* Means "member in practice".

† Firms not marked † or * are composed wholly of members of the Institute.

‡ Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

‡ Against the name of a firm indicates that the firm includes an incorporated accountant member of the Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

JONES, CECIL RUSSELL; M.B.E., A.C.A., 1925; Managing Director, Bladons Ltd., Prospect Street, Hull.

WICKS, WILLIAM LEONARD; A.C.A., 1958; 5 Somerset Road, Salisbury, Wilts.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

BUTTLER, FRANK LESLIE, F.C.A., London.

DRYDEN, CECIL DRYDEN, A.C.A., Salisbury, Southern Rhodesia.

HANSON, FRANK WILLIAM, F.C.A., Castleford.

MACFADYON, RONALD EDWIN, F.C.A., Newcastle-upon-Tyne.

MILLWARD, HARRY LEONARD, A.C.A., Ewell.

MOORE, JAMES PERCIVAL, F.C.A., Bury.

PELTON, DAVID, A.C.A., London.

REMINGTON, JOHN FRANCIS, F.C.A., Birmingham.

ROBISON, DONALD LORRAINE, A.C.A., Christchurch, New Zealand.

SAVAGE, LESLIE COURTNEY, A.C.A., Eastbourne.

SOUTHERN, ALBERT EDWARD, F.C.A., Vancouver.

STRAY, ARTHUR MELLORS A.C.A. London.

THOMPSON, ALAN RALPH, F.S.A.A., Portsmouth.

VALE, WALTER, F.C.A., Steyning.

WALKER, JOHN STORR, F.C.A., Blackpool.

WILLIAMS, STANLEY, A.C.A., Birmingham.

YOUNG, CHRISTOPHER HARDING, M.B.E., F.C.A., Burnham-on-Sea.

Findings and Decisions of the Disciplinary Committee

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at hearings held on June 3, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Charles Elman, F.C.A., was at the General Sessions held in the Old Bailey on January 27, 1959, convicted on indictment for that he conspired with other persons to cheat and defraud such persons as might be induced to part with moneys and goods and to discount or accept liability in respect of bills of exchange by false pretences and by fraudulent conversion and by divers other false and fraudulent devices, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Charles Elman, F.C.A., had been proved and the Committee ordered that Charles Elman, F.C.A., formerly of 7, Warwick Court, Holborn, London, W.C.1, be excluded from membership of the Institute.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee

of the Council that Ivor Robert Evans, A.C.A., was on February 2, 1959, at a Magistrates' Court, convicted of two charges, namely (a) whilst a servant of a limited company he stole £14 14s. 11d. property of his employers and (b) whilst a servant of that company he stole £15 4s. 9d. property of his employers, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Ivor Robert Evans, A.C.A., had been proved and the Committee ordered that Ivor Robert Evans, A.C.A., of 1, Castle House, Bath Road, Speen, Newbury, Berkshire, be excluded from membership of the Institute.

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on July 1, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that George Law Aynge, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3), of the supplemental Royal Charter in that he signed the Accountant's Certificate required by Section 1 of the Solicitors Act, 1941, relating to the practice of a solicitor for the accounting period from April 1, 1955, to March 31, 1956, without taking any or sufficient steps to ensure that the statements certified by him in that certificate were accurate, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against George Law Aynge, A.C.A., had been proved and the Committee ordered that George Law Aynge, A.C.A., of Albion Mill, Waterfoot, Rossendale, Lancashire, be reprimanded.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following: Accounting Reports for Management; by R. B. Lewis. Englewood Cliffs, N.J., 1957. (Prentice-Hall, 120s.)

Advanced Accounting Problems: theory and practice; by I. J. Chaykin and M. Zimering. New York. 1958. (John Wiley, 84s.)

Alban and Lamb's Income Tax as affecting Local Authorities: 5th edn. by G. H. Forster, F.C.A., and J. D. R. Jones, F.C.A. 1959. (Charles Knight, 55s.)

Bankers and Pashas; by D. S. Landes. 1958. (Heinemann, 30s.)

The Bill on London. (Gillett Brothers Discount Co.): 2nd edn. 1959. (Gillett Brothers, 21s.)

- Bowstead on Agency; by W. Bowstead; 12th edn. by E. J. Griew. 1959. (Sweet & Maxwell, 70s.)
- Communication in Management; by C. E. Redfield; (2nd edn.). Chicago. 1958. (University of Chicago Press, 37s. 6d.)
- The Companies Act 1958. (Victoria.) Melbourne. 1958. (Government Printer, 15s.)
- The Control of the Purse: progress and decline of parliament's financial control; by P. Einzig. 1959. (Secker & Warburg, 35s.)
- A Costing System for Laundries: part III: budgetary control. (Institute of British Launderers.) 1959. (I. of B.L., 10s.)
- Economics for pleasure; by G. L. S. Shackle. 1959. (C.U.P., 21s.)
- The Effects of Differential Tax Treatment of Corporate and Non-Corporate Enterprises; by C. Cosciani. Paris. 1959. (O.E.E.C., 13s.)
- Estate Duty Saving including the incidence of income tax, surtax and stamp duty; by J. B. Morcom. 1959. (Sweet & Maxwell, 35s.)
- Examination and Valuation of Mineral Property; by C. H. Baxter and R. D. Parks; 4th edn. by R. D. Parks. Reading, Massachusetts. 1957. (Addison-Wesley Publ., 64s.)
- Formation of Private Companies; by D. Barker and A. P. Halberstam. 1959. (Sweet & Maxwell, 35s.)
- General Commercial and Financial Knowledge; by E. M. Taylor, F.C.A. Harpenden. 1959. (Textbooks, 13s. 6d.)
- High Speed Computing: methods and applications; by S. H. Hollingdale. 1959. (English Universities Press, 25s.)
- Illustrations of Management Accounts in Practice; by A. G. B. Burney, F.C.A. 1959. (Gee, presented, 30s.)
- Investing Simplified; by E. Du Cann. 1959. (Newman Neame, 15s.)
- The Law of Agricultural Holdings; by W. S. Scammell; 3rd edn. 1959. (Butterworth, 55s.)
- Lectures on Economic Principles; by Sir D. H. Robertson: Vol. 3. 1959. (Staples Press, 16s.)
- Local Government Law and Administration in England and Wales; (ed.) by A. D. Yonge. 1959. (Butterworth, 110s.)
- The London Metal Exchange. (Economist Intelligence Unit). Tonbridge. (1958). (Whitefriars Press, 21s.)
- Management Accounting: text and cases; by R. N. Anthony. Homewood, Illinois. 1956. (Richard D. Irwin, 63s.)
- The Motor Industry; by G. Maxcy and A. Silberston. 1959. (George Allen & Unwin, 25s.)
- Office Staff: selection: supervision: training; by Elizabeth M. Pepperell. 1959. (Industrial Welfare Soc., 7s. 6d.)
- Payment by Results; by Sylvia Shimmin. 1959. (Staples Press, 21s.)
- Policy Making and Executive Action: cases on business policy; by T. J. McNichols. New York. 1959. (McGraw-Hill, 62s.)
- Practical Guide to Industrial Derating; by A. D. Nicholls and R. E. Lake. 1959. (Rating and Valuation Association, 30s. 6d.)
- The Preparation of Programs for an Electronic Digital Computer; by M. V. Wilkes, D. J. Wheeler and S. Gill: 2nd edn. Reading, Mass. 1957. (Addison-Wesley Publ. Co., 57s.)
- Principles of Economic Policy; by K. E. Boulding. 1959. (Staples, 30s.)
- The Productive Office. (Office Management Association). 1959. (O.M.A., 10s.)
- Redundancy: a survey of problems and practices. (Acton Society Trust.) 1958. (A.S.T., 5s.)
- The Role of the Managing Director; by G. Copeman. 1959. (Business Publications, 42s.)
- A Short History of Money; by G. Winder. 1959. (Newman Neame, 15s.)
- Something in the City; by J. Benn. 1959. (George Allen & Unwin, 12s. 6d.)
- *Spicer and Pegler's Book-keeping and Accounts; by E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: 15th edn. by W. W. Bigg, F.C.A., H. A. R. J. Wilson, F.C.A., and A. E. Langton, F.C.A. 1959. (H.F.L., presented, 35s.)
- Standardised System of National Accounts: 1958 Edition. (O.E.E.C.) Paris. 1959. (O.E.E.C., 6s. 6d.)
- Survey of Internal Auditing in the United Kingdom, 1958. (Institute of Internal Auditors.) 1959. (Typescript, presented by J. O. Davies, F.C.A.)
- The Technical Writer: an aid to the presentation and production of technical literature; by J. W. Godfrey & G. Parr. 1959. (Chapman & Hall, 45s.)
- Third Party Insurance; by A. G. M. Batten and W. A. Dinsdale: 3rd edn. 1959. (Stone & Cox, 18s.)
- Trust Accounts; by P. M. B. Rowland: 2nd edn. 1959. (Butterworth, 40s.)
- Unit Trusts and how they work; by C. Rosenheim and C. O. Merriman, A.C.A.: 2nd edn. by C. O. Merriman. 1959. (Pitman, 20s.)
- Wills, Probate and Administration: a manual of the law; by B. S. Ker. 1959. (Sweet & Maxwell, 42s.)
- Your Guide to Stocks and Shares, or stock exchange precedents for the public; by Nedlaw. 1958. (Nicholas Kaye, 15s.)
- * This book has been presented to all District Society Libraries under the grant of books scheme.
- received at the Institute not later than the last day stated below. Late entries cannot be accepted.
- Candidates are advised in their own interests to submit their entry forms as soon as possible. Entry forms for all examinations may be obtained from the Secretary of the Institute, Moorgate Place, London, E.C.2.
- ### Institute Examinations
- | | |
|------------------|-----------------------------------|
| Preliminary .. | November 10, 11, 12 and 13, 1959. |
| Intermediate: .. | November 17, 18 and 19, 1959 |
| Final | November 24, 25, 26 and 27, 1959. |
- LAST DAY FOR RECEIPT OF ENTRY FORMS:
 Preliminary examination October 6, 1959
 Intermediate examination October 13, 1959
 Final examination October 20, 1959
- The Preliminary examination will be held in London and Manchester. The entry fee is £4 4s. 0d.
- The Intermediate and Final examinations will be held in Birmingham, Cardiff, Leeds, Liverpool, London, Manchester and Newcastle upon Tyne. The entry fee for the Intermediate examination is £5 5s. 0d. and for the Final examination £7 7s. 0d.
- ### Society Examinations
- | | |
|-----------------|-----------------------------------|
| Intermediate .. | November 11, 12 and 13, 1959. |
| Final | November 10, 11, 12 and 13, 1959. |
- The Intermediate and Final examinations will be held in Birmingham, Belfast, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, and Newcastle upon Tyne. The fees for these examinations are as follows:
- | | |
|-----------------------------------|------------|
| Intermediate | £5 5s. 0d. |
| Final, Part I (taken separately) | £4 4s. 0d. |
| Final, Part II (taken separately) | £4 4s. 0d. |
| Final, Parts I and II together | £7 7s. 0d. |
- LAST DAY FOR RECEIPT OF ENTRY FORMS
Intermediate and Final examinations
 Candidates for membership of the English Institute, October 5, 1959.
 (Candidates for membership of the Scottish or Irish Institute, September 20, 1959, on forms provided by the respective Institutes.)
- ## Chartered Accountants' Golfing Society
- ### Singles Tournament 1959
- THE RESULTS of the second round are as follows: H. F. Clayton beat R. Chater Blows, 2 up; E. G. Head w.o. D. V. House scr.; H. W. Claxton beat C. A. Chapman by 5 and 4; D. J. Hedges beat F. C. H. Edwardson by 5 and 4; S. Pleydell-Bouverie beat J. Latham, 2 up; B. Ingold w.o. H. J. Finden-Crofts scr.; J. T. Isherwood beat P. Wand by 3 and 1; H. G. J. Foulger beat S. A. Letts, 2 up.
- ## Examinations—November 1959
- DETAILS ARE GIVEN below of the November, 1959, examinations of the Institute and of the Society of Incorporated Accountants (in voluntary liquidation).
- The prescribed examination entry form together with the appropriate fee must be

District Societies



BIRMINGHAM

MR. W. F. TIDSWELL, A.C.A.

Mr. W. F. Tidswell, the new President of the Birmingham and District Society, has since 1945 been Secretary of The Birmingham Post and Mail Ltd. and a director of two associated companies. He was articled to the late Mr. William Adgie, of Leeds, and was Treasurer of the Leeds Students' Association. After qualifying in 1927, he went to Messrs. Barton, Mayhew & Co. In 1933 he joined the Norfolk News Company, holding office as chief accountant and later as secretary.

In the same year he became a founder committee member of the East Anglian Society, and was responsible for forming the Students' Society, of which he was Chairman until his removal to Birmingham in 1945. He served on Regional Taxation and Research Committees from 1942-45 and 1946-55, being Chairman in Birmingham in 1954 and 1955, and on the Taxation and Research Committee of the Institute from 1949 to 1954. He joined the Birmingham District Committee in 1954 and has been Librarian and Treasurer.

Mr. Tidswell is Chairman of the Birmingham and West Midlands Group of the Association of Superannuation and Pensions Funds, and a member of the Imperial and Local Finance Committee of the Birmingham Chamber of Commerce.

LEEDS, BRADFORD

A RESIDENTIAL COURSE on Management Accounting will be held at the Old Swan Hotel, Harrogate, from November 13 to 15. Papers will be given by Mr. Christopher Bostock, M.A., F.C.A., Professor Robert Browning, M.A., LL.B., C.A., and Mr. Wilfred H. Leather, F.C.A. There will be group discussions and full sessions at which points and questions raised in the groups

will be submitted to those giving the papers. The fee is £8 5s., including accommodation in the hotel. The course is limited to eighty members, and a few vacancies are reserved for other District Societies of the Institute. Completed application forms should reach the Course Secretary, Mr. H. Anderson, F.C.A., 26 Park Row, Leeds, 1, by September 7.



BRISTOL AND WEST OF ENGLAND

MR. F. J. WEEKS, A.C.A.

Mr. F. J. Weeks, A.C.A., the new President of the Bristol and West of England Society of Chartered Accountants, has been for the last twelve years accountant of the W. D. and H. O. Wills Branch of The Imperial Tobacco Co. Ltd. He became a member of the Institute in 1927, after serving articles with Messrs. Grace, Darbyshire and Todd, and after a period with Messrs. Deloitte, Plender, Griffiths & Co. joined The Imperial Tobacco Co. Ltd. as assistant accountant in 1930.

Mr. Weeks has served since 1954 on the Institute Taxation and Research Committee, and since 1943 on the Management Accounting Sub-Committee (formerly the Cost Accounting Sub-Committee). He was a member of the Management Accounting team that went to the United States of America in 1950 under the auspices of the Anglo-American Council on Productivity.

He is a governor of Clifton College, where he was educated. His hobbies include fishing, golf and gardening. He has played cricket for Gloucestershire and hockey for Gloucestershire, Suffolk and the West of England.

MANCHESTER AND LIVERPOOL

THE TWENTY-FIRST joint residential course of the Manchester and Liverpool Tuition

Committees will be held at Burton Manor from September 19 to 26. Intermediate and Final courses will be held concurrently. Arrangements are on the same lines as for the successful courses already held, but this time there will be a resident duty tutor available throughout the period instead of a rota of members each taking duty for one day.

MANCHESTER

THE FOLLOWING OFFICERS have been elected for the ensuing year: President, Mr. F. H. Walsh, F.C.A.; Vice-President, Mr. A. H. Walton, F.C.A.; Hon. Treasurer, Mr. T. G. Wood, F.C.A.; Hon. Secretary, Mr. J. V. Eastwood, F.C.A.; Hon. Librarian, Mr. G. W. Murphy, B.A.(COM.), F.C.A.



MR. F. H. WALSH, F.C.A.

Mr. Frank H. Walsh, the recently elected President of the Manchester Society, is a partner in Messrs. Kneeshaw, Moffatt & Co., Burnley and Blackpool. Born in Blackburn, he was articled to the late Percival Parker of Preston. After qualifying in 1935 he went to Messrs. John Adamson, Son & Co., in Manchester, and in 1941 joined his present firm, becoming a partner in 1943.

He was appointed a member of the Manchester Committee on the formation of the Society's North Lancashire Branch in 1948, and was Honorary Treasurer of the Branch until 1954 and its Chairman in 1956/57 and 1957/58.

He is a member of Royal Lytham Golf Club and an Honorary Vice-President of the Fylde Rugby Club.

SHEFFIELD

THE OFFICERS FOR 1959/60 have been elected as follows: President, Mr. J. S. Wortley, F.C.A.; Vice-President, Mr. J. W.

Richardson, F.C.A.; Hon. Secretary, Mr. M. Sheppard, A.C.A.; Hon. Treasurer, Mr. R. L. Emmitt, A.C.A.; Hon. Auditor, Mr. S. Jones, F.C.A. Members newly-elected to the Committee were Mr. J. A. Brier, Mr. F. A. Ross, Mr. A. M. Simmers and Mr. G. R. Vickers.

Report

The membership at December 31, 1958, was 450, including ten guest members—an increase during the year of 169.

There were five lectures and visits during the year, in addition to three lectures arranged by the Management Accounting Sub-Committee.

Students' classes are held on Saturday mornings.

A memorandum was submitted to the Parker Committee on Education and Training. We have been requested to consider a series of questions arising out of the memoranda submitted by District Societies.

The Taxation and Research Committee has considered matters raised by the Institute. Mr. A. G. Thomas and Mr. T. S. Welch are the representatives on the Institute Committee.

The annual dinner was held in March. Luncheon meetings in Sheffield, Chesterfield, Doncaster and Rotherham have been well attended.

The Committee congratulates those who passed their examinations in 1958: Institute Final 27, Intermediate 23; Society Final 12, Intermediate 4, Final Part I 5.

SOUTH-EASTERN

Students' Residential Course

THE SOUTH-EASTERN Society of Chartered Accountants is holding its tenth annual students' residential tuition course in Brighton: Intermediate September 21 to 25, and Final October 5 to 9. The fee is £3 15s. Hotel accommodation can be arranged if desired, and a grant is made towards the cost of accommodation and travelling. Students, whether or not within the area of the South-Eastern Society, may obtain registration forms and further particulars from Mr. T. T. Nash, A.C.A., 33 Lawrence Road, Hove, Sussex.

WOLVERHAMPTON BRANCH

THE FOLLOWING ARE the officers for 1959/60: Chairman, Mr. R. A. Stevens; Vice-Chairman, Mr. A. M. Baker; Hon. Treasurer, Mr. G. St. C. Wycherley; Hon. Secretary, Mr. G. A. Woolsey; Hon. Auditor, Mr. H. Cook. Elected Members of the Committee, Mr. W. T. Barnett, Mr. R. Bromley, Mr. T. L. Edwards, Mr. N. Kirkham, Mr. G. N. Roberts. Other Committee Members, Mr. G. C. Haynes (immediate past Chairman), Mr. J. S. Holloway (Representative to District Society), Mr. G. H. Edwards (Regional T. & R. Committee), Mr. R. Ryland, Mr. E. K. Bennett.



NORTHERN

MR. PERCY COOPER, T.D., F.C.A.

Mr. Percy Cooper has been elected President of the Northern Society of Chartered Accountants. He has been a member of the Committee since 1948, and was Honorary Secretary from 1949 to 1953.

After serving articles with Mr. J. M. S. Coates, of Messrs. Price Waterhouse & Co., Newcastle upon Tyne, Mr. Cooper was admitted to membership of the Institute in 1937, and in March, 1939, became a partner in Messrs. J. C. Graham & Spoor. He joined the Territorial Army before the outbreak of war, and served throughout the war with the 43rd Royal Tank Regiment.

Mr. Cooper is a member of the Newcastle upon Tyne Hospital Management Committee. He is a past-President of Gosforth Rugby Football Club and Chairman of Gosforth Squash Club.

SOUTH WALES AND MONMOUTHSHIRE

MR. C. R. DANIEL, F.C.A., has been elected President and Mr. T. W. Pickard, F.C.A., Vice-President. As Mr. H. W. Vaughan did not offer himself for re-election as Honorary Secretary, Mr. D. T. Jeremy, F.C.A., was elected Acting Honorary Secretary. Mr. G. M. Metcalf was elected to the Committee in place of Mr. Bernard E. Brown, who did not offer himself for re-election.

The remaining officers and retiring committee members were re-elected.

Report

Congratulations are extended to Mr. N. R. R. Brooke on being appointed C.B.E. in the Birthday Honours 1958, and to Sir Julian Pote on his knighthood in the New Year Honours 1959.

The total membership at December 31, 1958, was 443, compared with 247 a year earlier. It is hoped that potential members who have not yet joined will do so.

Both Students' Societies arranged comprehensive programmes.

In the May, 1958, Institute Intermediate examination, D. J. Williams was awarded the First Certificate of Merit and two prizes; D. P. L. Davies the Fifth Certificate of Merit, and N. H. Collins the Plender Prize. Fifteen others were successful in the Intermediate and six in the Final. In November, ten passed the Institute Final, fourteen the Institute Intermediate, nine the Society Final, four Part I, and nine the Society Intermediate.

Attendance at the annual dinner was an all-time record. Two golf meetings have been held.



MR. C. R. DANIEL, F.C.A.

Mr. C. R. Daniel, F.C.A., senior partner in the firm of J. & H. S. Metcalf, Chartered Accountants, Cardiff, has been elected President of the South Wales and Monmouthshire Society of Chartered Accountants.

Mr. Daniel was articled to the firm of which he is now the senior partner, and was secretary of the Students' Society in 1927. He qualified in 1929, and was admitted to partnership in the following year. His professional interests are varied, and appointments held by him have included those of Area Secretary of Timber Control, Board of Trade, from 1939 to 1946, and Area Officer of Timber Control during 1947 and 1948. He represents the Treasury under the Development Area Treasury Advisory Committee on the Board of Companies in South Wales.

Mr. Daniel takes a keen interest in building society affairs, and is a director of the Cardiff Permanent Building Society: during 1956/57 he was Chairman of the South Wales and Monmouthshire Association of Building Societies.

In his earlier days Mr. Daniel played rugby for Penarth and for Cardiff, but his sporting activities are now largely concentrated on golf.

The Institute of Chartered Accountants in England and Wales

Results of Examinations—May, 1959

FINAL EXAMINATION

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Plender Prize for the paper on English Law (Part I) Ng, Wing Keung (F. S. Young), London.

Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on English Law (Part II)

BURNHAM, Peter Michael (M. D. Carr), London.

Third Certificate of Merit and the Plender Prize for the paper on Taxation

DUNN, Brian Russell (W. L. Dunn), Nottingham.

Fourth Certificate of Merit and the Frederick Whinney Prize and the Plender Prizes for the papers on Advanced Accounting (Part I) and Advanced Accounting (Part II)

GODDARD, Geoffrey (V. P. Edwards), Worthing.

Fourth Certificate of Merit

BARTON, John Bernard (P. H. Blandy), Nottingham.

Sixth Certificate of Merit

ROBERTS, Keith Nicholson (N. Johnson), Chester.

Seventh Certificate of Merit

DUPARC, Robert Anthony (L. B. Prince), London.

Eighth Certificate of Merit

FINLAY, Basil Fleming Gayer (Sir W. S. Carrington), London.

List of Successful Candidates

(The name shown in brackets is the name of the principal to whom the clerk has been articulated)

ALCOCK, B. A. (S), Birmingham.
ALDEN, D. J. (P. B. Norledge), London.
ALLEN, W. E. (R. W. Warren), London.
ALLMAN, R. H. (F. N. Griffith), Kendal.
ANDERSON, J. H. (E. A. Radford), Woking.
ANDREWS, P. R. (H. E. Keeler), Bristol.
ANGELL, P. G. (J. E. R. Vellacott), London.
ANSDELL, P. (F. Gregg), Manchester.
APPLEBY, D. G. (J. H. Hancock), Sheffield.
APPLEBY, E. W. (M. J. Bourne), Burton-on-Trent.
ARMITAGE, B. H. (S), Leeds.
ARNFIELD, N. F. (J. G. Worrall), Glossop.
ARNOLD, M. J. (J. F. Cullingham), London.
ARTHUR, M. J. (E. W. Newman), Birmingham.
ATWELL, B. H. (H. Evans), London.

* See also Certificates of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

AUFERBACH, D. (B. Keane), London. (The Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting.)

BAKER, A. M. (W. J. Carter), Wolverhampton.

BAKER, D. H. (F. W. Charles), London.

BALL, D. F. (R. L. Weavers), London.

BALMFORD, J. N. (K. G. Darke), London.

BARDSLEY, D. A. B. (N. Smith), Hebden Bridge.

BARKER, K. J. (F. Jones), London.

BARKER, T. (P. A. Lloyd), Liverpool.

BARLOW, T. M. (E. P. Major), Birmingham.

BARNES, J. D. (G. D. Warrington), Huddersfield.

BARNES, R. W. (H. C. Day), Chesterfield.

BARNES, P. J. (J. S. Holloway), Wolverhampton.

BARNETT, B. J. (A. J. Knights), London.

BARROW, S. R. (A. G. B. Burney), London.

*BARTON, J. B. (P. H. Blandy), Nottingham.

BEABLE, R. A. (P. R. Johns), Yeovil.

BEADSMOORE, H. (F. G. Lee), Ilkeston.

BEAUMONT, E. A. (J. Donaldson), Preston.

BECKER, M. E. L. (G. S. Middleton), London.

BELL, M. G. (L. E. Budd), London.

BEVAN, D. H. (B. W. Waters), London.

BLACKWELL, T. G. (F. W. Lindgren), London.

BLAND, B. (J. Hall), Bury.

BOARD, C. J. (F. E. Board), Sheffield.

BOBATH, P. L. (J. Harrison), London.

BOND, A. W. (A. P. Roberts), Birmingham.

BONE, E. (C. A. P. Snow), Darlington.

BOOTH, P. D. (E. H. Glaisby), Leeds.

BOWES, C. J. L. (A. V. Flather), Bradford.

BOWES LYON, S. A. (L. W. Farrow), London.

BRADLEY, E. G. (D. D. Rae Smith), London.

BRADSHAW, T. J. (C. R. Osborn), London.

BRANCH, F. (G. Tattersall), Huddersfield.

BRAZIER, C. (E. G. Tilley), London.

BRITAIN, J. J. M. (J. B. Humphreys), Manchester.

BRODIE, E. J. P. (J. D. Ferguson), London.

BROOK, G. H. (J. Wilson), Elland.

BROOKS, B. H. (G. Whittaker), Manchester.

BROOM, R. H. (G. Cowcher), Gloucester.

BROUARD, R. (R. F. Sumner), London.

BROW, J. D. B. (B. J. Ketchlee), London.

BROWN, D. J. (J. A. Talbot), London.

BROWN, G. W. (D. B. Ward), Middlesbrough.

BROWN, M. (C. Fisher), London.

BROWN, R. (F. Hartley), Leeds.

BRUCE, D. M. (R. B. Barker), London.

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- RUSSELL, P. J. (S. G. Sillem), London.
- RUTTER, P. E. (C. Rutter), Manchester.
- RYAN, T. D. (M. H. Hewes), London.
- RYLEY, C. B. (H. A. Ryley), Smethwick.
- SALES, J. A. (W. R. C. Ogden), London.
- SANDERS, S. F. (E. M. Smith), Baldock.
- SAUNDERS, J. D. (J. C. MacGregor), Liverpool.
- SAWERS, R. K. (M. J. Jackman), London.
- SAYER, C. E. V. (D. R. P. Foot), London.
- SCARR, W. L. (F. J. Fullerton), Leeds.
- SCOTT, R. S. (D. C. S. Downs), Hull.
- SCOTT, W. M. (A. L. Barnett), Bristol.
- SCOURFIELD, B. J. (B. Rowe), Pontypridd.
- SCRAFTON, D. (F. A. Bell), London.
- SCRIBBINS, P. W. (C. J. Finch), St. Albans.
- SEARS, R. S. (J. Foster), London.
- SELLWOOD, D. J. (E. Portlock), London.
- SEYMOUR, G. B. (A. D. Johnson), London.
- SHANKARDASS, Y. K. (I. G. de Mesquita), London.
- SHARP, E. J. K. (C. D. Bolsover), Sheffield.
- SHAW, A. V. (T. H. Burdon), Bradford.
- SHAW, F. L. (T. Ashton), Nottingham.
- SHAW, V. F. (E. Manby), London.
- SHEARS, F. C. P. (T. L. Mooyart), London.
- SHEASBY, J. M. (G. L. Wiener), London.
- SHELLEY, A. C. (H. W. May), Chelmsford.
- SHENOY, J. K. (E. W. G. Joicey-Cecil), London.
- SIBLEY, J. H. (H. P. Lawrence), Bristol.
- SIMMONS, M. (E. J. Garner), Nuneaton.
- SLY, J. R. (D. J. Pyne-Gilbert), London.
- SMART, P. M. (H. L. Bangham), Swansea.
- SMITH, A. R. (H. Crowther), Huddersfield.
- SMITH, B. E. (F. L. Cooke), London.
- SMITH, D. A. (F. S. Moore), Manchester.
- SMITH, W. J. A. (J. S. Harrison), Leeds.
- SMYTH, G. E. R. (N. V. Collins), London.
- SPITTLE, H. (H. D. Anderson), Middlesbrough.
- SPOTTISWOOD, J. A. (W. I. Livesey), St. Helens.
- SQUIRES, P. J. (R. J. H. Eagle), London.
- SRIVICHIT, T. (P. J. Digby), London.
- STACEY, M. J. (E. E. Boyles), London.
- STACEY, T. J. (R. W. Warren), London.
- STILES, J. S. (H. N. Greene), Enfield.
- STONE, J. G. (W. H. Lawson), London.
- STONE, P. D. (M. P. Simmons), Bournemouth.
- STOPFORD SACKVILLE, L. G. (T. D. Walker), London.
- STRIBLING, D. M. (R. G. Bailey), Plymouth.
- SUNLEY, J. E. (J. D. Shepard), London.
- SWADDLE, A. P. (W. Patterson), Newcastle upon Tyne.
- SWALES, D. J. (F. J. H. Jones), London.
- TANNER, E. I. (W. T. Meigh), London.
- TANNER, J. F. (J. R. Hamilton), London.
- TAPPARO, D. G. (P. P. Barber), Birmingham.
- TAYLOR, P. D. (E. D. Taylor), Leeds.
- TEALE, C. N. (S.), Southport.
- THOMAS, B. (R. K. Dotchin), Newcastle upon Tyne.
- THOMAS, M. L. (J. R. Morgan), London.
- THOMAS, T. J. C. (formerly with A. E. Thomas) Swansea.
- THOMAS, W. S. (G. G. Owens), Liverpool.
- THOMPSON, G. (T. R. Hoddell), Nuneaton.
- THOMPSON, J. L. (R. W. Lambeth), Cheltenham.
- THORLEY, R. (H. Tunstall), Manchester.
- THORN, R. S. (D. D. Mathieson), London.
- THORP, B. R. (L. Geary), Manchester.
- THORPE, D. R. (H. J. Clarke), Nottingham.
- THRELFALL, J. P. (N. Tomblin), Ilkley.
- THURGOOD, D. C. (H. L. Thurgood), Watford.
- TIFFIN, R. J. (C. N. Starbuck), Birmingham.
- TILDESLEY, J. M. (L. R. Lewis), Luton.
- TOGWELL, W. (N. D. Grundy), London.
- TOLLINTON, H. D. (B. Place), East Grinstead.
- TOMPSETT, M. J. (L. H. Mitchell), London.
- TREPTE, P. N. (C. J. Jeffries), London.
- TREVOR, M. (H. C. Rudolf), London.
- TUN, M. T. (C. G. Hayes), London.
- TURNER, J. (C. J. Maples), London.
- TYABJI, F. S. B. (W. I. B. Trott), London.
- USHER, R. J. (D. G. Bridel), London.
- UTTING, F. C. (H. M. Symonds), Haverfordwest.
- VALLIS, R. F. (E. J. R. May), London.
- VIGOR, N. J. (C. H. Croft), London.
- VIVIAN, G. T. (R. S. Longcroft), London.
- WADDINGTON, R. (A. Watson), Burnley.
- WALFORD, R. A. (H. J. Ramble), Nottingham.
- WALLER, J. D. (R. H. Stevens), London.
- WARD, E. (W. L. McAndrew), Newcastle upon Tyne.
- WARING, R. D. (E. A. W. Gisby), London.
- WATCH, C. (E. Royce), Manchester.
- WATERING, D. F. (H. T. C. Reid), London.
- WATERS, G. N. (O. M. Lewin), London.
- WEST, D. F. (J. Maxwell), Manchester.
- WESTWOOD, A. O. (P. A. Whitehead), Birmingham.
- WHEELER, A. E. C. (J. C. J. Clark), Hove.
- WHITE, D. Y. (J. A. Potter), London.
- WHITE, G. W. A. (formerly with C. J. H. Jones, deceased), Portsmouth.
- WHITEHOUSE, P. W. (G. St. C. Wycherley), Wolverhampton.
- WHITMORE, A. B. (H. J. Ballam), Ipswich.
- WICK, I. S. (R. W. Young), London.
- WIKI, B. (H. C. Dyson), Liverpool.
- WILLIAMS, B. J. (D. J. Brannan), London.
- WILLIAMS, D. H. (G. L. Atherton), Bridport.
- WILLIAMS, T. R. J. (L. W. Bird), London.
- WILLIAMSON, A. G. (E. D. Cox), London.
- WINDER, J. A. (J. S. Hanson), Dewsbury.
- WINDOWS, G. T. (formerly with R. J. Pigot, deceased), Oxford.
- WINDSOR, J. M. (T. Thornton), Burnley.
- WINTERTON, W. (J. J. Longland), Portsmouth.
- WISEMAN, G. A. (L. Scott), Hastings.
- WONG, J. P. L. (J. Diamond), London.
- WOOD, A. C. (formerly with J. R. Kinnis, deceased), Grimsby.
- WOODWARD, K. W. (B. Walker), Gt. Yarmouth.
- WOOLF, P. M. (S. J. Bressloff), London.
- WOOLFENDEN, V. P. J. (formerly with T. E. Milligan, deceased), Manchester.
- WORTH, W. J. (W. G. Brookes), London.
- WRIGHT, J. C. (J. L. Green), Dartford.
- WRIGHT, P. E. (Sir H. M. Barton), London.
- WYNNIATT-HUSEY, R. J. (C. W. Bellamy), London.
- YENDLE, A. (D. L. Pritchard), Carmarthen.
- YORKE, J. D. (D. Peel), Elland.
- YOUNG, A. (G. R. Turner), Bradford.
- YOUNG, R. N. (C. H. Nathan), London.

INTERMEDIATE EXAMINATION

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize, the Stephens Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Taxation and Cost Accounting

DAVIES, Anthony Warren (C. I. Steen), London.
Second Certificate of Merit, the Tom Walton Prize and the Plender Prize for the paper on General Commercial Knowledge

MAY, Robert Aron (M. E. G. Prince), London.
Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C. Prize

SMITH, Peter Nicholson (G. E. Morrish), London.

Fourth Certificate of Merit

LANE, John Albert (T. E. Entwistle), Liverpool.
MIDDLETON, Colin James (H. Price), Eastbourne.

TETLEY, Brian (J. W. G. Mitchell), Bradford.

Seventh Certificate of Merit

LONEY, Keith Edward (E. R. Siddie), Taunton.

PULLAN, Harry (H. Anderson), Leeds.

Ninth Certificate of Merit

DORNTON, John Patrick (H. M. Hawthorne), London.

Tenth Certificate of Merit

LLEWELLYN-JONES, John Hugh (H. J. Wells), London.

Eleventh Certificate of Merit

HEPWORTH, Roger Arthur Ambrose (O. B. T. Bennett), Oxford.

Twelfth Certificate of Merit

LAWRANCE, Maurice Roy (A. Pennington), London.

Thirteenth Certificate of Merit

FERGUSON, Andrew John Duncan (J. D. Ferguson), London.

KEVAN, Denis Macrae (N. G. Willis), Liverpool.

Fifteenth Certificate of Merit

LANGRIDGE, Alan Charles (A. E. Burton), London.

Sixteenth Certificate of Merit

TUCKER, David Lambert (C. W. Wildy), London.

VEREY, Trevor Ronald (J. P. N. Brogden), Portsmouth.

Eighteenth Certificate of Merit and the Plender

Prize for the paper on Book-keeping and Accounts (Limited Companies)

PENNEY, Malcolm Olaf (H. W. C. Airey), London.

Nineteenth Certificate of Merit

LAKE, Michael Edward (R. W. Wheeler), London.

List of Successful Candidates

(The name shown in brackets is the name of the principal to whom the clerk has been articled)

- ABDULLA, M. H. (R. R. Nash), London.
 ACKERY, G. B. (C. H. Mead), London.
 A'COURT, S. (G. E. Goodchild), Ipswich.
 ADAMS, N. D. (E. H. King), Birmingham.
 ADDISON, D. B. (F. Addison), Derby.
 ADEWAKUN, M. (J. Morris), Manchester.
 ADKINS, R. E. (F. B. Murray), Birmingham.
 AFIA, P. M. (M. L. Harris), London.
 AGBALLAH, H. O. P. (L. F. Terry), Brighton.
 AHMED, J. U. (R. M. Peat), London.
 AINLEY, D. H. (R. S. Glendinning), Bradford.
 AITKEN, K. G. (J. L. Merchant), Ealing.
 ALEXANDER, A. G. L. (P. Ewen), London.
 ALEXANDER, P. J. (R. Richards), London.
 AL-HAFIDH, A. H. (W. Stanton), London.
 ALLATT, J. D. (G. P. Marsden), Halifax.
 ALLEN, M. C. (D. H. C. Tonks), Birmingham.
 AMBLER, K. (D. T. Veale), Leeds.
 ANDERSON, H. (J. D. Alton), Harrogate.
 ANJOUS, B. (C. H. Bradfield), Neath.
 ARBIB, M. (L. C. Coe), London.
 ARCHER, D. K. (G. G. Bissell), Birmingham.
 ARMITAGE, B. C. (G. M. Helroyde), Bradford.
 ARMSTRONG, D. P. (R. D. Thomlinson), Carlisle.
 ARRAND, A. (J. E. B. Barron), Winchester.
 ASH, A. J. (E. R. Nicholson), London.
 ASHBY, N. C. (A. J. Seal), Hounslow.
 ASHIQ, M. I. (F. E. Barger), London.
 ASLAM, M. (J. A. Bearman), London.
 ATKINS, R. F. (R. Ballantine), London.
 ATKINSON, M. R. (F. L. Moulding), Sheffield.
 ATKINSON, R. B. (E. S. Prince), London.
 ATTER, J. P. (J. Daykin), Nottingham.
 ATTWELL, J. W. (C. E. G. White), Southend-on-Sea.
 AVENELL, B. J. (H. B. T. Wilde), Birmingham.
- BACON, J. F. (C. McCabe), Maidstone.
 BAGWELL, D. J. (S), London.
 BAILEY, D. N. (W. B. Whipp), Manchester.
 BAIRD, W. H. (W. S. Rainbow), Newcastle upon Tyne.
 BAKER, G. S. (K. H. Gibbons), Bristol.
 BAKER, K. G. (J. C. S. Ferguson), London.
 BALDWIN, A. W. W. (R. H. Ashcroft), London.
 BALE, J. L. (P. G. S. Kiely), Reading.
 BALSDON, M. J. (J. B. Chilcott), South Molton.
 BARBER, I. M. (F. McD. Hall), London.
 BARNARD, R. B. (Miss) (W. A. Barnard), Fareham.
 BARNETT, B. E. C. (J. A. Jackson), London.
 BARNFATHER, R. D. (W. W. Routledge), Carlisle.
 BARRACLOUGH, K. (C. Luxton), Bradford.
 BARRETT, A. J. (H. W. Evemy), London.
 BARRETT, M. W. (L. G. Spencer), Newcastle upon Tyne.
 BARROW, D. (A. H. Hamer), Hebden Bridge.
 BASTON, P. (Miss) (J. F. Pashley), Newcastle upon Tyne.
 BATES, D. G. (F. J. Smith), London.
 BAWDEN, S. C. (J. K. King), London.
 BELFIELD, R. J. (A. Marks), London.
 BELL, N. A. (S. Freeman), London.
 BELLAMY, M. H. T. (S. R. Lang), London.
 BENNETT, C. R. E. (C. H. King), London.
 BIGGIN, C. A. J. (J. S. Hoole), Sheffield.
 BIGGS, A. G. (W. W. Routledge), Carlisle.
 BIGNELL, R. E. (P. R. Hackett, Jnr.), Birmingham.
- BINMORE, J. S. (J. H. Hewitt), Nottingham.
 BISHOP, C. D. (D. H. H. Meacock), London.
 BITTLESTONE, A. J. (J. O. Knight), Nottingham.
 BLACKSTAFF, M. (W. E. Chapman), London.
 BLAKE, R. (P. F. Rendell), Bristol.
 BLIGH, P. R. (E. E. Ray), London.
 BLOW, M. R. (C. R. Goulder), London.
 BODICOAT, A. C. (L. Freeman), Leicester.
 BODOANO, R. A. (R. W. Minns), Birmingham.
 BOTTOMLEY, D. H. (P. W. P. Knowles), London.
 BOUCH, W. D. (J. F. Aitchison), London.
 BOUD, T. E. (A. J. Seal), Hounslow.
 BOURNE, H. G. S. (J. P. Coatsworth), London.
 BOWDEN, P. R. (N. Bailey), Manchester.
 BOWEN, R. E. W. (F. R. Tillet), London.
 BOWEN, W. J. (D. P. Newell), Kidderminster.
 BOWER, C. D. (K. Davison), Bradford.
 BOWN, J. A. (H. C. Day), Chesterfield.
 BOYD, L. R. (W. D. Corkish), Liverpool.
 BRACKIN, A. J. (A. P. W. Simon), London.
 BRAIDE, W. G. (R. W. Metcalf), London.
 BRAMWELL, C. (S), Manchester.
 BRANDWOOD, J. N. (J. B. Martin), Liverpool.
 BRAYSHAW, E. M. (R. Walton), Leeds.
 BRAYSHAW, R. E. (D. S. Lewis), London.
 BRIDGE, A. P. (A. Johnson), Liverpool.
 BRIGGS, D. (K. G. Shuttleworth), Sheffield.
 BRIGGS, J. D. (F. N. Middleton), Bradford.
 BRINING, M. D. (J. Perfect), London.
 BRITTON, A. G. (R. B. Dixon), Birmingham.
 BRODERICK, J. M. (N. Townend), Goole.
 BROOKER, A. B. H. (C. T. Boakes), London.
 BROOMHEAD, J. H. (E. Sugden), Leeds.
 BROUGHTON, R. D. (H. S. Fox), Skegness.
 BROWN, F. H. M. (C. R. Osborn), London.
 BROWN, J. G. (W. B. Holden), London.
 BROWN, J. M. (H. M. Crawford), Colchester.
 BROWN, R. H. (C. G. W. Blathwayt), Bristol.
 BROWN, S. F. (L. R. Treen), London.
 BRYAN, A. H. P. (L. J. Newey), Romford.
 BRYAN, J. R. (A. M. Edwards), Luton.
 BRYANT, G. R. (F. S. Bray), London.
 BUCKLER, D. A. (T. R. Hoddell), Nuneaton.
 BUCKLEY, B. H. (J. W. Clement), London.
 BULL, C. (L. S. Daniel), Taunton.
 BURNS, J. D. (J. P. Kemp), Scunthorpe.
 BURR, M. R. (D. S. Stevens), London.
 BURTON, G. (C. Pearson), Liverpool.
 BURTON, P. W. (K. N. Hawkins), London.
 BUSSEY, J. H. (B. S. Pullan), Leeds.
 BUSSIN, S. E. (Miss) (A. K. Williams), London.
 BUSWELL, J. M. (Miss) (J. S. Furler), Newton Abbot.
 BUTLER, P. (A. J. Goulden), Manchester.
 BUTT, M. I. (K. R. Smith), Newcastle upon Tyne.
 BUTTERWORTH, A. (R. A. Pitt), Manchester.
 BUTTON, M. H. N. (K. A. Buxton), Nottingham.
 BUXTON, M. F. (A. R. Hack), London.
 BYE, D. S. (R. E. Rodham), Middlesbrough.
 BYNG, G. G. (K. R. Morris), Bromsgrove.
 BYRD, C. (Miss) (L. A. Picot), St. Helier.
- CAIDEN, R. P. (S. Fisher), London.
 CAIN, D. B. (S. Goldwater), London.
 CAMPBELL, A. M. (J. A. Mitchell), Carlisle.
 CAPON, D. J. (G. T. Hills), London.
 CARLIN, C. (S), Manchester.
 CARTWRIGHT, J. M. (J. H. Maunder), Dorchester.
 CASELEY, R. (G. A. Raines), London.
 CASH, P. T. W. (E. S. Russell), Birmingham.
 CATTELL, M. A. P. (J. H. Watson), Bournemouth.
 CATTY, J. (D. H. Collier), London.
 CHADWICK, H. (R. G. Swann), Manchester.
 CHADWICK, T. H. (J. G. Sankey), Manchester.
 CHAN, M. L. (Miss) (B. O. S. Savage), London.
 CHANDLEY, C. W. D. (A. Ollerenshaw), Stockport.
- CHAUDHRY, D. K. (B. J. Ducker), London.
 CHAUDHURY, M. A. (R. J. Climpson), Teddington.
 CHAYTOR, J. (A. F. Clarke), Liverpool.
 CHEDZEY, A. C. (L. G. Mason), Bridgwater.
 CHETWYND, R. W. (K. F. Steven), London.
 CHIESMAN, D. W. R. (W. R. Burroughs), London.
 CHILD, J. H. (C. J. Robinson), London.
 CHRISFIELD, L. J. (K. M. Scott), London.
 CHURCH, C. J. (L. O. Ross), London.
 CHURCHER, A. J. (P. H. Palmer), Nottingham.
 CHURCHILL, C. R. W. (C. A. Leat), London.
 CLARK, A. D. (C. W. Puckett), Torquay.
 CLARKE, A. (L. G. Winfield), Sheffield.
 CLARKE, C. H. N. (S. E. Worley), Eastbourne.
 CLARKE, D. R. (J. W. Margetts), London.
 CLITHEROW, C. (C. C. Taylor), Liverpool.
 COCHRANE, M. F. (J. M. S. Coates), Newcastle upon Tyne.
 COHEN, A. J. (S. Cohen), London.
 COHEN, A. P. (M. C. George), London.
 COLEMAN, N. J. (D. R. B. Smith), London.
 COLLEDGE, P. J. (K. W. Walker), Leicester.
 CONNOLLY, M. W. H. (P. D. Eady), Stourport on Severn.
 CONWAY, P. (D. Mahony), London.
 COON, P. (J. W. Shaffery), St. Austell.
 COOPER, D. C. G. (P. E. Thain), King's Lynn.
 COOPER, P. A. (J. D. French), Liverpool.
 COPLE, K. M. (G. E. Bainbridge), Bradford.
 CORBETT, J. E. (L. V. Hazelwood), Birmingham.
 CORDS, L. G. (F. R. Dixon), Leicester.
 CORKILL, B. (V. Dalley), Manchester.
 COURTLIFF, J. E. M. (E. Catherall), Chester.
 COWEN, E. (A. J. Fullerton), Harrogate.
 COWPER, I. R. (H. Peat), London.
 CRAWHALL, J. M. (J. M. S. Coates), Newcastle upon Tyne.
 CRAWSHAW, R. H. (G. N. Hunter), Leeds.
 CREASEY, J. S. (R. W. L. Clench), London.
 CROSBY, M. J. (D. D. Kidson), Manchester.
 CROSSE, P. L. H. (J. H. Sisson), London.
 CROSSFIELD, J. (Miss) (J. A. K. Collins), Newport, I.O.W.
 CROWTHER, T. A. (T. G. Burton), Hull.
 CULLINGHAM, J. D. H. (D. R. Hindle), London.
 CUMMING, C. A. (Miss) (C. H. Ansell), London.
 CUNLIFFE, G. V. (D. A. Huggons), London.
 CURRY, J. A. H. (S. J. E. Truman), London.
- DAINTY, J. R. (P. Cozens), Walsall.
 DALBY, J. C. (J. H. Mann), London.
 DALLOW, A. T. (H. G. Pinner), Wolverhampton.
 DARBYSHIRE, B. (E. Tootle), Wigan.
 DARBYSHIRE, M. J. (N. E. West), Littlehampton.
 *DAVIES, A. W. (C. I. Steen), London.
 DAVIES, J. B. (C. L. Powell), Ammanford.
 DAVIS, B. A. (J. Radstone), London.
 DAVIS, J. M. G. (H. G. Mack), London.
 DAWSON, G. W. V. (S), London.
 DEACON, A. K. V. (W. E. Willis), Leicester.
 DEARDS, C. D. (W. S. Samuda), Worcester Park.
 DE SILVA, P. D. U. (E. R. Funnell), London.
 DEVADASON, T. S. V. (G. D. Hopkinson), Birmingham.
 DHAR, P. K. (H. C. Allen), London.
 DICKER, S. S. (H. L. Moses), London.
 DODDRIDGE, E. (W. G. Wilson), Liverpool.
 *DORNTON, J. P. (H. M. Hawthorne), London.
 DOSS-DESOUSA, W. J. (S. A. Fabes), London.
 DOUGLAS, B. K. (F. V. Denton), Liverpool.
 DOWNS, A. P. (G. B. Langford), Petersfield.
 DOWSE, P. B. (W. G. Dickinson), Doncaster.
 DREWELL, A. (D. T. Veale), Leeds.
 DRYBROUGH, C. D. (L. Peils), London.
 DUCKETT, J. E. (W. R. Heatley), Coventry.
 DUGARD, C. R. (C. W. Bingham), Nottingham.

DUNHAM, G. J. (F. Pittock), London.

EAST, P. B. (R. J. W. Phillips), Colchester.
EASTMOND, D. G. (F. W. Charles), London.
EATON, A. F. (H. J. Binder), London.
EBBS, B. (N. D. Ednie), Bedford.
ECCLESTON, D. J. (G. Walmsley), Wrexham.
EDET, B. O. (L. F. Terry), Brighton.
EDWARDS, A. (H. W. Vaughan), Swansea.
EDWARDS, A. C. (J. Taylor), Manchester.
EDWARDS, E. W. G. (P. H. Martin), London.
EDWARDS, H. G. O. (E. J. Newman), Birmingham.
EDWARDS, J. C. (J. K. Macrae), London.
ELDRIDGE, C. M. J. (L. Civval), London.
ELIAS, E. A. (R. Gronow), Wolverhampton.
ELLES-HILL, W. J. (S. R. Hogg), London.
ELLIS, G. (S.), Knaresborough.
ELLISON, R. B. (W. Lodge), Liverpool.
ELPHICK, C. P. (J. S. Ellison), Liverpool.
EMMOTT, M. (Miss) (R. E. Spenser), London.
ENTWISLE, A. H. (W. L. McAndrew), Newcastle upon Tyne.
EPPS, J. E. (C. G. Larking), Maidstone.
EPSTEIN, D. L. (B. Morris), London.
EPSTEIN, J. M. (S.), London.
ETHERIDGE, N. (W. O. Crossley), Manchester.
ETHERINGTON, J. T. (J. E. Sagar), Blackburn.
EVANS, A. M. (A. M. E. Morgan), Aberdare.
EVANS, D. H. B. (T. A. Clark), Wrexham.
EVANS, J. P. (T. A. Clark), Wrexham.
EVANS, R. (R. A. Roberts), London.
EVERATT, T. G. (D. Bolton), Manchester.
EVERETT, D. (D. G. Durgan), Southsea.
EWEKA, A. O. (R. W. Slowman), London.

FACTOR, D. (P. A. G. Mullens), Port Talbot.
FAIRBAIRN, J. S. (O. M. Lewin), London.
FAULKNER, N. S. C. (P. E. Hall), Nottingham.
FELL, R. A. (L. J. Moore), Newmarket.
*FERGUSON, A. J. D. (J. D. Ferguson), London.
FERGUSON, B. (Miss) (M. Cutner), London.
FERMOR, F. H. (R. S. A. Donnithorne), London.
FERRAND, N. I. (W. A. Snowdon), Hull.
FIELD, R. G. (S.), Hull.
FIELDEN, M. (C. L. Fielden), Colchester.
FINNEGAN, V. M. (H. M. Madelay), Birmingham.
FISHER, B. J. (R. J. Armstrong), Hitchin.
FLEMING, A. M. H. (D. B. Buick), London.
FONE, V. (Miss) (M. E. Lermitt), London.
FORD, J. M. (D. A. White), Bristol.
FOSS, C. J. (E. B. Bate), Bristol.
FRANKS, L. G. N. (A. W. Brooking), Basingstoke.
FREEBODY, R. A. (R. G. Pegler), London.
FREEMAN, N. D. J. (P. H. Champness), London.
FRISWELL, D. J. (H. D. Radford), Birmingham.
FRIZZLE, W. (S.), Newcastle upon Tyne.
FURBY, D. J. (F. E. C. Apps), London.

GAIT, C. D. (G. H. Fletcher), London.
GALE, R. W. (D. R. Hindle), London.
GALLIANO, J. P. (R. A. W. Caine), London.
GANGULI, A. (C. H. Aveyard), London.
GARbutt, N. T. (H. A. Sisson), Newcastle upon Tyne.
GARDIN, T. H. (G. C. Wilkinson), Redcar.
GARRETT, K. A. L. (J. A. Beaver), Southport.
GATES, H. A. (A. W. Rawlinson), London.
GATES, M. D. C. (E. F. W. Batts), London.
GATES, R. D. (J. G. G. Hesse), Birmingham.
GEARING, E. W. (W. L. Thurgood), London.
GEARY, E. P. (J. W. Davies), London.
GEE, C. J. (J. Lamb), Newcastle upon Tyne.
GEE, M. J. (N. G. Sage), London.
GELLMAN, R. D. (G. H. W. Delderfield), London.
GEORGE, V. J. (L. J. Bentley), London.
GIBBS, R. C. (E. J. Danbury), London.
GILMORE, R. M. (J. Barrett), Leeds.

GILROY, B. H. (J. E. Barris), London.
GLOVER, D. B. (L. M. Keen), Southend-on-Sea.
GOBAT, A. T. (T. G. Gobat), Hereford.
GODFREY, B. S. (V. W. Heslop), Darlington.
GOLD, H. P. (H. L. Layton), London.
GOLDING, J. L. (E. T. Wood), London.
GOLDSMITH, R. F. (G. C. McEwen), London.
GOODLAD, A. R. (N. A. Wheatcroft), Sheffield.
GOODWIN, P. R. (G. F. R. Bagulay), London.
GOSS, K. K. (S.), London.
GOUGH, J. R. H. (A. R. Mason), Birmingham.
GOUGH, M. J. (D. E. Caird), London.
GRAHAM, A. M. (L. Baker), London.
GRAINGER, A. (P. Fine), London.
GRANT, N. K. (F. S. Bray), London.
GREEN, T. J. (R. F. Sumner), London.
GREENWOOD, A. G. (J. B. Ross), Halifax.
GREENWOOD, F. (R. Cullen), Leicester.
GREGORY, D. E. (I. H. Hayward), Nottingham.
GREGORY, P. (J. L. Smith), Market Harborough.
GRIFFIN, D. (N. J. B. Smith), Manchester.
GRIFFITHS, L. G. (M. D. Pick), Retford.
GRIMWADE, D. R. (J. R. Tovey), Reading.
GRINYER, J. R. (D. J. Redhead), Ilford.
GROSSMAN, M. (H. H. Thomas), London.
GROVE, J. M. (D. Spencer), West Bromwich.
GROWCOTT, T. E. (O. T. Tollit), Chester.
GUNN, P. R. (H. E. Halliday), Newport, Mon.
GWYNNE, D. F. (T. M. Pragnell), Nottingham.

HACKNEY, J. P. (E. D. London), Nottingham.
HALL, P. M. (P. H. Stodge), London.
HALL, S. (R. D. Thomlinson), Carlisle.
HALL, S. R. (G. F. Davies), London.
HAMILTON, J. E. (D. J. T. Corbett), Nottingham.
HANKIN, D. J. (J. B. Selier), London.
HARBOTTLE, P. R. M. (R. P. Winter), Newcastle upon Tyne.
HARDMAN, M. R. (C. H. C. Mabey), London.
HARDY, M. K. (D. H. Thomas), London.
HARFOOT, D. T. (R. R. Davies), Cardiff.
HARLEY, R. N. (F. G. Rollason), London.
HARNETT, R. D. (C. W. Elliott), Hounslow.
HARRIES, J. M. (D. F. Pratten), Swansea.
HARRIS, D. E. (R. O. N. Ward), Birmingham.
HARRIS, G. R. (E. C. Smith), Manchester.
HARRISON, D. C. (E. G. Turner), Manchester.
HARRISON, G. (C. L. Davies), Leeds.
HARRISON, N. (N. W. Thistle), Lincoln.
HART, E. E. (Sir W. S. Carrington), London.
HARTY, C. J. (A. I. Wyborn), London.
HAVRLIK, S. (H. Wadie), London.
HAYNES, R. J. (W. G. Milton), Pinner.
HEATH, C. T. (R. M. Williams), Cardiff.
HEATH, D. H. (J. E. Fischer), Liverpool.
HEPTONSTALL, G. A. (B. Asquith), Leeds.
*HEPWORTH, R. A. A. (O. B. T. Bennett), Oxford.

HERMAN, E. A. (G. Classick), Manchester.
HEWITT, A. W. (R. A. Welch), Birmingham.
HEYWORTH, R. L. (W. Hobson), Manchester.
HICKFORD, B. L. (C. S. G. Kealey), London.
HIGNETT, J. M. (A. D. Wardle), London.
HILL, C. (R. G. Slack), Hull.
HILL, D. W. (R. W. C. Dunn), Birmingham.
(Plender Prize for the paper on Auditing.)
HILL, L. F. (D. W. Jennings), Bristol.
HILL, P. B. (R. M. Dowler), Manchester.
HINDLE, P. A. (J. C. Boyce), Bradford.
HITCHINS, W. D. W. (E. H. McGregor), Reading.
HOBBS, R. E. (B. A. Smith), London.
HODDER, M. J. (E. R. Nicholson), London.
HODGSON, D. (J. W. Berriman), Middlesbrough.
HOHLER, R. T. A. (H. S. Rose), London.
HOLDEN, M. J. (J. C. Widger), Wembley.
HOLDEN, S. I. (R. W. Rodwell), Leicester.
HOLDSWORTH, B. G. (W. F. Masters), London.
HOLFORD, J. (K. H. Newsum-Smith), Nottingham.

HOLT, P. (W. R. Glossop), Bradford.
HOOPER, A. M. (J. Hackett), Ealing.
HORNIBLOW, L. F. E. (P. J. L. Case), Watford.
HORTON, C. C. (A. G. Arnfield), Manchester.
HORTON-JONES, G. K. (G. A. Morgan), Swansea.
HOSKINS, R. S. (W. H. Lawson), London.
HOSSAIN, S. M. A. (R. H. E. Wilkinson), Manchester.
HOURAHANE, J. E. (P. S. Potter), Newport, Mon.
HOWARD, D. N. (E. Satterthwaite), Bootle.
HOWARD, J. (D. R. Fendick), Manchester.
HOWARTH, J. S. (R. Waterhouse), Leeds.
HOWE, D. P. L. (N. G. Bascombe), Bristol.
HOWE, W. B. (F. C. Roy), Worcester.
HOWELL, D. C. P. (R. B. Morrish), London.
HOWELL, J. W. (H. E. D. Buxton), London.
HOWELL, O. M. R. (R. Ballantine), London.
HOWLETT, J. C. (G. B. Pearson), London.
HUDSON, T. (C. Severn), Skegness.
HUGHES, M. B. (J. W. Alington), Chelmsford.

INNISS, L. (D. H. Kirk), London.
IRONS, G. M. (R. C. Gilbert), London.

JACK, A. W. D. (H. W. Banks), Liverpool.
JACKSON, E. P. (T. H. Sutton), Southport.
JACKSON, M. P. (Miss) (M. W. A. Jacobs), Ryde.
JAMES, A. (F. W. Bailey), Leeds.
JAMES, H. M. C. (C. D. Smith), London.
JAMES, M. J. (F. J. Trevers), London.
JAMES, N. C. (S. S. Morton), London.
JAMES, P. B. (P. J. Digby), London.
JAYAMAHA, D. C. N. (N. T. Bell), London.
JEAVONS, C. C. (R. Massey), Wolverhampton.
JEFFREY, C. M. (J. W. Harker), Durham.
JENNER, C. W. (R. J. Ford), Maidstone.
JEPPS, K. (R. Marks), London.
JOHN, I. D. (S.), Colombo.
JOHNSON, H. S. (F. C. Horne), Luton.
JONES, T. E. (L. G. Hall), Stockport.
JONES, W. J. R. (S.), Dudley.

KAY, A. W. (W. T. R. Masterson), London.
(Plender Prize for the paper on Book-keeping and Accounts (Executship).)
KELLEY, G. (A. J. Glass), Liverpool.
KELLY, J. T. (F. Hall), Leeds.
KEMP, S. G. (R. J. Butterworth), London.
KENNEDY, M. (C. R. Riddington), Leicester.
KERRY, D. J. (J. B. Humphreys), Manchester.
*KEVAN, D. M. (N. G. Willis), Liverpool.
KHAN, F. H. (J. A. Bearman), London.
KHAN, I. H. (J. Henderson), Liverpool.
KIDBY, C. E. (G. G. Wight), London.
KIDD, M. H. (W. B. Cullen), London.
KINNING, J. (E. S. Hall), Solihull.
KIRKHAM, W. W. (R. S. Sanderson), Sheffield.
KNIGHT, P. J. (W. Caerwyn Jones), Shrewsbury.
KNOCK, J. B. (E. G. Costello), London.
KONG, B. C. C. (Miss) (T. A. Morton), London.
KONG, S. H. R. (A. A. B. Yeatman), London.
KWAN TEET YEEN, K. (J. G. M. Coates), Richmond, Surrey.
KYMYINT, L. (M. G. Miles), London.

LAHIRI, C. S. (S.), Calcutta.
*LAKE, M. E. (R. W. Wheeler), London.
LAMBLEY, J. R. N. (H. W. Bonnello), Nottingham.
*LANE, J. A. (T. E. Entwistle), Liverpool.
LANGLEY, G. I. (S. J. Gunby), Leicester.
*LANGRIDGE, A. C. (A. E. Burton), London.
LASCELLES, J. F. (K. G. M. Harding), Liverpool.
*LAWRANCE, M. R. (A. Pennington), London.
LAWTON, C. D. (H. C. Cox), Manchester.
LAYTON, P. R. D. (S. Young), London.
LAYZELL, M. E. (H. W. Fisher), London.

- LEACH, G. (C. P. Spencer), Halifax.
 LEDERMAN, C. S. (C. Murray), London.
 LEE, H. P. (H. Marriner), Leeds.
 LEIGH-POLLITT, G. A. P. (H. M. Clutton-Brock), Newbury.
 LENNARD, E. C. (A. H. Marshall), London.
 LENNARD, G. (E. C. Mallett), Hull.
 LEPPINGTON, C. M. (J. B. Dunford), Newcastle upon Tyne.
 LETT, K. R. (A. R. Mason), Birmingham.
 LEWIS, A. D. (W. R. Gresty), Cardiff.
 LEWIS, D. J. (G. L. Eccleshall), London.
 LEWIS, J. C. (H. R. Elliott), Worthing.
 LEWIS, J. T. (G. L. Wiener), London.
 LEWIS, M. L. (M. R. Nathan), London.
 LEWIS, R. (W. A. Richardson), Nottingham.
 LILLIS, M. R. (R. O. N. Ward), Birmingham.
 LINDLEY, P. D. (N. N. Sassienic), London.
 LINDSAY, H. J. A. (J. F. T. Nangle), London.
 LINDSEY, C. J. N. (J. S. Lake), London.
 LIPPA, C. M. (H. P. Jones), Liverpool.
 LIPSCOMB, E. P. (G. L. C. Touche), London.
 LISLE, R. G. (C. L. Davies), Leeds.
 LISSAMAN, J. (J. N. Prentice), London.
 LIVERSIDGE, J. E. (D. B. Ward), Middlesbrough.
 *LLEWELLYN-JONES, J. H. (H. J. Wells), London.
 LLOYD, A. J. (W. K. Wells), London.
 LOCK, S. J. (H. G. Martin), London.
 LOCKWOOD, D. W. (N. D. Taylor), Sheffield.
 LONERGAN, D. P. (N. Alton), Leicester.
 *LONEY, K. E. (E. R. Siddle), Taunton.
 LONGE, R. F. H. (J. C. Gardiner), London.
 LOVELESS, B. C. (S), London.
 LUKINS, G. H. (L. O. Resting), Cardiff.
- MABON, T. (J. A. Mitchell), Carlisle.
 MCADAM, D. A. L. (F. C. Hoyle), Manchester.
 MCCANN, R. H. (O. B. T. Bennett), Oxford.
 McEVoy, P. H. (R. A. Eccleston), Manchester.
 MACIVER, L. K. (H. O. H. Coulson), London.
 McLELLAN, M. (J. P. N. Brogden), Portsmouth.
 MALIK, F. K. (M. Striker), London.
 MALLINDER, E. J. L. (G. H. Dodsworth), London.
 MALLINSON, J. R. (T. A. Macfarlane), Liverpool.
 MARIANESAN, P. (D. A. Kater), London.
 MARSH, R. W. (F. King), London.
 MARVI, A. (L. Gorden), London.
 MASLIN, J. R. W. (G. W. Harrison), Wolverhampton.
 MASTERS, H. J. (J. S. L. Springbett), London.
 MAW, G. H. (T. G. Burton), Hull.
 MAXWELL-WALTON, J. D. (N. F. Trayler), Bognor Regis.
 *MAY, R. A. (M. E. G. Prince), London.
 MAYER, T. P. (A. Beaton), London.
 MAYGER, L. B. (W. J. N. Sherratt), Chester.
 MEAKIN, B. (G. S. Limb), Mansfield.
 MERCER, H. (B. L. Monahan), Swindon.
 MEREDITH, J. W. (R. H. Stafford), London.
 MEREDITH, R. W. (E. Pugh), Nuneaton.
 *MIDDLETON, C. J. (H. Price), Eastbourne.
 MIDDLETON, D. G. S. (A. C. Dixon), Sunderland.
 MIDWINTER, H. E. (A. H. Kirkman), Oxford.
 MILLS, A. W. (T. A. Morton), London.
 MILNE, R. B. (S. Morris), Reading.
 MILNES, D. S. (C. E. Copley), Rotherham.
 MILSTON, J. (D. E. Hope), London.
 MITCHELL, C. A. F. (K. W. Deacon), Coventry.
 MOHAMAD, S. H. S. (D. A. Boothman), Manchester.
 MORGAN, J. H. (I. C. Paterson), London.
 MORIARTY, E. T. (T. Finch), Blackburn.
 MORREY, J. P. (H. C. Bladen), Stoke-on-Trent.
 MORRIS, A. H. (L. J. Ive), London.
 MORRIS, J. S. (R. S. Fryer), London.
 MORRIS, M. D. The Hon. (M. Shirley-Beavan), London.
- MOTTRAM, D. F. (S. W. Staton), Sheffield.
 MOUSSA, M. W. (F. R. Terras), Manchester.
 MUNDAY, J. (W. Sowman), Leicester.
 MUNSON, A. R. (S. G. Law), Clacton-on-Sea.
 MURPHY, P. (J. Ross), Manchester.
 MURRAY, D. R. (R. B. Dixon), Birmingham.
 MUTKIN, H. G. (C. Metliss), London.
- NASH, H. (M. W. Burns), London.
 NAVARATNATHASAN, S. (P. E. Bryan), London.
 NEAL, C. W. (L. J. Hulme), Manchester.
 NEWTON, A. T. (R. J. Glissan), Birmingham.
 NEYLON, D. (J. Eaves), Manchester.
 NEZAM, M. (A. L. Low), London.
 NOBBS, J. L. (G. S. Elliott), Godalming.
 NORMAN, R. (N. H. Barnes), London.
 NORMAN, R. F. (H. W. Wilson), London.
- OGDEN, J. E. (S. T. Maxwell), Preston.
 OLDREY, A. D. G. (R. A. Palmer), Northampton.
 OLNEY, C. R. (S. C. Rainbow), Hitchin.
 OLUMIDE, W. O. (J. M. Davis), Canterbury.
 ORGAN, W. F. (E. R. Nicholson), London.
 ORROW, R. J. (E. R. Nicholson), London.
 O'SULLIVAN, D. J. (F. W. Charles), London.
 OURY, B. R. (L. F. Durman), London.
 OUSTON, M. C. G. (S. R. Pote), London.
 OWEN, J. N. (G. R. Porter), London.
- PAIN, C. E. (L. Whitaker), Canterbury.
 PALL, R. (G. L. Couch), Uxbridge.
 PALMER, I. A. (E. B. Langford), Portsmouth.
 PALMER, M. E. (E. R. Nicholson), London.
 PARDEY, D. A. (L. A. Pardey), Wigan.
 PARFITT, M. P. (C. Chipchase), Middlesbrough.
 PARKINSON, G. R. L. (G. N. Taylor), Newcastle upon Tyne.
 PARLANE, A. J. (A. J. Wilson), London.
 PARR, W. D. (R. P. Jelks), Liverpool.
 PARSONS, C. R. (E. R. Nicholson), London.
 PARSONS, I. R. (G. Bowyer), London.
 PATEL, A. H. (J. C. Durmin), London.
 PATON, D. B. (P. Bennett), Manchester.
 PAUL, W. H. (C. H. Mead), London.
 PAYNE, M. D. (J. Morris), London.
 PEARCE, D. J. (A. L. Westbury), London.
 PEAT, R. H. (W. R. T. Whatmore), London.
 *PENNEY, M. O. (H. W. C. Airey), London.
 PETERS, D. A. (G. Bowyer), London.
 PETERS, H. B. (D. A. Owen), Leamington Spa.
 PETERS, L. (M. H. Leighton), London.
 PHILLIPS, M. W. (N. A. Smith), Reading.
 PIGOTT, F. J. S. (J. F. Ray), Oxford.
 PILLING, K. (E. W. Manssuer), Warrington.
 POLLOCK, C. B. (D. B. Evans), Hove.
 POTTER, A. M. (H. H. Fielding), Paignton.
 PRESCOTT, P. J. (Miss) (C. W. Callow), Preston.
 PRESTON, A. (D. R. Fendick), Manchester.
 PRIESTLEY, R. M. S. (D. J. Gow), Bournemouth.
 PRIME, R. P. (F. G. Pook), Tunbridge Wells.
 PRITCHARD, K. H. (S), Manchester.
 *PULLAN, H. (H. Anderson), Leeds.
 PUMPHREY, J. R. (R. W. Swinbank), Stockton-on-Tees.
 PURRETT, M. J. (H. C. Gill), Manchester.
 PURVIS, S. L. (P. Shirley), Manchester.
- RAINSFORD, F. C. (P. W. Farnsworth), Derby.
 RAMBAUT, T. A. (R. W. Gorman), London.
 RANDEIRA, M. E. (L. Fialko), London.
 RANKIN, B. K. (J. D. French), Liverpool.
 REES, R. P. V. (C. W. Griffin), Cardiff.
 REID, J. G. (P. Shapland), Taunton.
 REID, W. (J. N. Prentice), London.
 RENWICK, J. S. (J. A. Taylor), Hyde.
 RICHARDSON, A. G. (W. E. Ratnett), Reading.
 RICHARDSON, C. M. (Miss) (G. E. M. Dods-worth), York.
 RICHARDSON, R. (B. A. Schanschiff), Northampton.
- RICKLESS, V. (J. Twist), Manchester.
 RIDGE, A. M. (R. Mallabar), London.
 RILEY, J. C. W. (B. A. Maynard), London.
 RITCHIE, A. F. (J. W. Berriman), Middlesbrough.
 RITCHIE, J. G. (J. B. Martin), Liverpool.
 RIX, J. E. (E. J. Furniss), London.
 ROBERTS, W. H. (F. W. Doleman), Leicester.
 ROBSON, D. J. (R. K. Dotchin), Newcastle upon Tyne.
 ROBSON, N. J. B. (R. Winn), Newcastle upon Tyne.
 ROCHESTER, C. (J. E. Mulcaster), Newcastle upon Tyne.
 ROGERS, P. D. (B. Crossley), Manchester.
 ROLLASON, W. H. (W. E. Quance), Birmingham.
 RUGG, B. (A. Bell), Newcastle upon Tyne.
 RUSTON, R. A. (W. A. Dodd), Manchester.
 RUSSELL, R. C. (J. W. Saunders), London.
 RYAN, K. J. (K. A. Buxton), Nottingham.
 RYAN, M. F. (N. E. Bicker), Bournemouth.
 SANGER, J. G. (K. L. Young), London.
 SARDANA, V. M. (R. J. Holbrook), London.
 SAUNTER, P. (J. H. Saunter), London.
 SAVAGE, M. S. (A. McKenzie), Sunderland.
 SCHAEFER, R. A. G. (E. H. Orford), London.
 SCOTT, G. (E. R. Nicholson), London.
 SEALE, A. J. (S. W. Percival), London.
 SEAMAN, C. R. H. (J. W. M. Groves), London.
 SECKER, A. (H. Goodier), London.
 SEDLEY, D. R. (A. D. Dinnen), London.
 SEMARK, R. E. (D. L. Forbes), London.
 SERCOMBE, J. (R. Horton), Derby.
 SEYDOUX, H. G. P. M. (L. A. Hall), London.
 SHACKELL, P. F. (R. H. Taylor), Bury St. Edmunds.
 SHAIKH, Z. A. (S. E. Newman), London.
 SHAW, B. (W. N. Crebbin), London.
 SHAW, K. A. (J. M. Grosse), Sheffield.
 SHUTTE, M. D. N. (J. W. W. Mason), London.
 SIDDLE, K. (A. H. Smalley), Coventry.
 SILVER, M. J. (G. Phillips), London.
 SILVERTHORNE, M. J. (B. A. S. Soole), London.
 SIMPSON, D. G. (R. J. Harris), Hull.
 SIMPSON, D. W. J. (R. D. Randall), Birmingham.
 SKAN, T. (J. A. Baker), Bournemouth.
 SKEET, D. C. (F. L. Wooley), Southampton.
 SKELDING, W. E. (N. J. Wigley), Birmingham.
 SLOAN, M. B. (J. C. Brown), Manchester.
 SMITH, D. P. (H. C. Cussons), Liverpool.
 SMITH, J. C. A. (D. A. Blake), London.
 SMITH, J. C. (J. B. Brierley), Oldham.
 SMITH, J. V. (L. A. Pardey), Wigan.
 SMITH, P. H. (C. J. C. Tildesley), Wolverhampton.
 *SMITH, P. N. (G. E. Morrish), London.
 SMITH, R. J. (J. H. Hill), Plymouth.
 SMITH, R. J. A. (J. A. Evans), Birmingham.
 SMITHERS, B. J. (H. B. C. Sandford), Tunbridge Wells.
 SMOUHA, B. A. (J. F. Taylor), London.
 SNOWBALL, J. E. (C. Fox), Sunderland.
 SOLKHON, J. (J. Williams), London.
 SOMMERVILLE, A. J. C. (G. Place), East Grinstead.
 SOPPITT, J. E. (Miss) (M. Fox), London.
 SPOONER, I. G. (D. D. Williamson), London.
 SPRAWSON, D. A. (J. B. Burnie), Nottingham.
 SQUIRES, G. A. U. (R. A. Rowley), Leicester.
 STANTON, I. L. (J. C. Boyce), Bradford.
 STAMP, J. S. (L. F. Jones), Wolverhampton.
 STEGGALL, B. O. T. (K. R. Cork), London.
 STERN, H. (S. Conway), London.
 STEVENS, G. F. (R. M. Matheson), London.
 STEVENS, G. J. (K. C. Pearce), London.
 STEWART, M. G. (W. R. Young), Canterbury.
 STILES, N. C. (J. A. Oliver), London.
 STILLWELL, M. I. (E. M. Smith), London.
 STIRLING, J. L. (A. D. Seward), London.
 STOCKS, K. L. (A. T. Mabe), Derby.

STOKES, A. C. (M. A. Brown), Bath.
 STORMONTH, I. H. (J. H. Marshall), Thame.
 STOTT, D. (H. C. Watson), Barnard Castle.
 STRANGE, M. C. (J. O. Faulkner), Swindon.
 STRATFORD, R. C. (J. H. Curtis), Ealing.
 STREATFIELD, M. V. (Miss) (A. R. Tyler), East Grinstead.
 STYBORSKI, G. F. (D. Lewis), London.
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List of Successful Candidates

(in alphabetical order)

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 ALLEN, A. T. K., Southport.
 ARNOLD, L. K., London.
 ASHTON, J. G., Chorley.

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(In Voluntary Liquidation)

Results of Examinations—May, 1959

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ASHWORTH, G. E. (J. M. Farraday), Bury.
ATKINSON, M. (A. Boyd), Newcastle upon Tyne.

BALLANTYNE, R. (T. R. Robinson), Sunderland.
BARDSLEY, V. R. (H. Hurt), Nottingham.
BARK, D. (S. H. Buxton), Manchester.
BARLOW, S. L. (A. Hill), Douglas, I.O.M.
BARON, D. P. (D. Duckett), Leeds.
BATES, J. (D. J. T. Corbett), Long Eaton.
BENNETT, E. (W. H. Hill), Manchester.
BENTON, B. (K. V. C. Ridley), London.
BERRINGER, J. F. (F. W. Berringer), Bromley.
BIEL, D. T. (C. E. Van Den Bergh), London.
BIRD, B. J., Tunbridge Wells.
BOARDER, G. A. (T. Barnard), London.
BONNER, C. F. (A. C. McDonald), Surbiton.
BOSE, P. (J. Godfrey), London.
BRAY, A. J. (F. R. Hews), Worthing.
BRIDGEHOUSE, E. (P. G. Livesey), Hyde.
BROADBENT, R., Halifax.
BROWN, A. D. (D. E. Boohan), Poole.
BROWN, H. (S. A. Spofforth), London.
BURGOINE, F. (P. G. Livesey), Manchester.
BURLEY, W. R. (H. Payne), Bournemouth.
BURTON, D. G. (P. G. Livesey), Hyde.

CADER, A. A., London.
CHEETHAM, B. (M. A. Crick), Peterborough.
CLARKE, J. H. (J. D. W. Marle), Bristol.
CLIFFORD, P. (H. Soan), London.
†CLUTTERBUCK, P. S., London.
COLE, R. A. (H. G. Lawrance), London.
COOK, D. J., Dorchester.
COX, M. J. (J. T. Longland), Portsmouth.
CROOK, E., Blackburn.
CROSSLAND, M. (F. Hall), Leeds.
CROWE, B. D. (R. M. Simpson), London.
CUERDON, A. (F. W. Etchells), Huddersfield.

DAVIES, G. E. (K. G. M. Harding), Liverpool.
DAVIES, W. B. (D. D. R. Smith), London.
DAVIS, D. B. (R. F. J. Ricks), Nottingham.
DEIGHAN, T. E. (T. L. Mylechreest), Douglas, I.O.M.
DENCHFIELD, M. D. (R. S. Paterson), London.
DEWSNAP, D. (N. D. Taylor), Sheffield.
DEV, A. K., Calcutta.
DICEY, C. R. (S. S. Primost), London.
†DIXON, C. S., Birmingham.
DORAN, F. A. (J. M. Harrison), Liverpool.
DOWRICK, B. R. (G. M. Dowrick), Colchester.
DREW, J. A. (J. A. S. Allen), Paignton.
DUNFORD, M. (R. H. R. Marshall), Scunthorpe.

ELLIS, G., Huddersfield.
EVANS, C. (J. G. S. Longcroft), London.

FAIERS, P. C., London.
FIFIELD, R. A., London.
FINNIGAN, B. J. (P. Slater), Southport.
FISHER, J., Ayr.
FISHER, J. T. (L. K. Wootton), Winchester.
FLYNN, B. L. H. (R. M. Filer), London.
FOWLER, B. G. (T. R. Morris), Cardiff.

GIRDLESTONE, J. (C. Yates Lloyd), Manchester.
GRANT, R. (S. Fawcett), Salisbury.
GRIFFITHS, C. (J. T. Jones), Cardiff.

HANDEL, J. D. (J. Ager), London.
HARTLEY, C. T. M. (F. C. Kissack), Douglas, I.O.M.

HAYHURST, E., Burnley.
HEATH, D. C. (R. S. Andrews), London.
†Awarded Honours.

HETHERINGTON, D. A. (W. J. Soper), London.
HILL, M. G. C. (R. C. Murch), London.
HINES, A. F. (R. E. Wray), Colchester.
HODGETTS, W. A. (C. E. Corney), Birmingham.
HUGHES, R. A. (A. J. Leach), Hereford.
HUMBLE, J. G. (J. C. Benson), Newcastle upon Tyne.

IRONMONGER, G. (P. C. Cardno), Bradford.
ISAACS, S. E. (C. W. Raw), London.

JACKSON, A. G. (K. W. Johnson), London.
JAMES, B. D. B., Stroud.
JEFFERY, M. C. (E. C. B. Price), Stroud.
JONES, C. (H. W. Miller), Bridgend.
JONES, D. G. (A. J. Leach), Hereford.
JONES, M. F. (K. P. Pool), London.
JONES, N. S. (W. G. C. Oliver), Nuneaton.

KEEN, D. A. (G. C. Wilkinson), Middlesbrough.
KENDALL, D. W., London.
KENNARD, D. T. (L. F. Durman), London.

LATIF, A., London.
LEON, F. S. (A. Clarke), Manchester.
LEWIS, H. G. (D. F. Pratten), Swansea.
LEYHANE, R. C. (F. W. Charles), London.
LO, Nim-Cho (M. Benjamin), London.

MCCORMICK, J. A. (E. R. Nicholson), London.
MCDONALD, K. S. (J. E. Hilton), Newcastle upon Tyne.
MCDONALD, T. (F. Hall), Leeds.
MCDONNELL, M. J. (V. Boorman), London.
MCGAW, G. W. (R. Winn), Newcastle upon Tyne.
MCMANUS, A. (D. A. Thornley), London.
MCMANUS, M. (E. R. Nicholson), London.
MARSH, W. J. (B. Wilton), Bexhill on Sea.
MEARNS, B. C. (G. Blakelock), Sunderland.
MENEZES, M. P. (W. C. S. Waight), Bromley.
MEWIS, D. G. (B. F. Jukes), Hastings.
MOATE, K. A., London.
MUSPRATT, D. G. (D. Harrison), Bath.
MUSSELL, S. I. (Miss) (M. A. Edwards), Dorchester.

NEILL, D. L., Belfast.
NORRIS, B. G. (T. R. Shenton), Blackpool.

PAGE, J., Liverpool.
PARSONS, R. W. (N. D. Taylor), Sheffield.
†PARTON, K. A. (A. L. Blower), Wolverhampton.
PATTERSON, J. C. (D. B. Ward), Newcastle upon Tyne.
†PHILPOT, D. E. (G. E. Morrish), London.
PIKE, N. (J. B. Harrison), Grimsby.
PIPER, C. H. C., Ipswich.
POLLARD, F. S. M. (H. Parsonage), Chester.
†POTTER, K. S. (S. Potter), Great Yarmouth.
†PROCTOR, W. J. (J. H. Annison), Worthing.
PROSSER, H. G. (J. S. Notley), Newport, Mon.
RICHARDSON, B. (H. Lomax), Manchester.
ROBERTS, P. B. (R. T. Wrieden), London.
RODGER, G. C. (F. Bailes), Newcastle upon Tyne.
ROWE, K. F. A. (C. A. Harrap), Eastbourne.
SARGEANT, P. R. (L. D. King), Luton.
SCAWN, M. V. (L. G. Fetzert), Newcastle, Staffs.
SCOTCHMER, D. W., London.
SEED, J. D. (G. Hawley), London.
SHARPE, M. O. (E. L. Owen), Northampton.
SMITH, A. (J. K. Robinson), Workington.
SMITH, D. (H. Anderson), Cleckheaton.
SMITH, T. M. (E. Sheard), Huddersfield.
SPRIGGS, H. J. W. (G. R. Drever), Kettering.
STAINSBY, A. M. (J. C. Proudler), Middlesbrough.
SUNDERLAND, T. D. A. (L. B. Smith), Bradford.

TAYLOR, P. G. O. (F. T. Goodliff), Brighton.
 THOMAS, D. A. (A. Rouse), Manchester.
 THUBRON, P. J. (C. B. Hardcastle), Northwood.
 TICHAS, C. A. (W. A. Snowden), Hull.
 TINGLE, A. J. (C. H. Jefferson), Scunthorpe.
 TURNER, D. K. (J. Hillier), Luton.
 TURNER, P. V. (G. F. Saunders), Liverpool.

WAGSTAFF, J. R. (H. Bowers), Manchester.
 WALKER, W. (R. H. Benson), Manchester.
 WALSH, P. T. (A. Loveridge), Southport.
 WALTON, M. (G. E. Lister), Huddersfield.
 WARBURTON, J. K. (F. R. Thurlow), Bradford.
 WARDLE, L., Halifax.
 WAUD, J. B. (N. Waud), York.
 WEARE, C. E. (H. E. C. Davis), Glastonbury.
 WILCOCKSON, R. M. (H. A. Morley), Nottingham.
 WILLIAMS, J. G. (E. S. Walker), Birmingham.
 WILSON, B. E. (G. H. Kelsey), Lincoln.
 WITHAM, H. (E. R. Nicholson), London.
 WORDSWORTH, W. I. (G. B. Robins), Hull.

YORK, R. M. (E. C. Malyon), London.
 YOUNG, T. J. (W. J. Dean), Stafford.

Incorporated Accountants' Benevolent Fund

THE SIXTY-SIXTH annual meeting of subscribers to the Incorporated Accountants' Benevolent Fund was held at Incorporated Accountants' Hall on June 30. Mr. A. A. Garrett occupied the chair in the unavoidable absence of the President of the Fund, Sir Frederick Alban.

Mr. Garrett said: Sir Frederick Alban, the President of the Fund, greatly regrets that he is unable to preside at this meeting and he has asked me to deputise for him. Sir Frederick retired from his appointment as Chairman of the Welsh Regional Hospital Board on March 31, and I am sorry to say that he has recently been unwell and has had to undergo a minor operation for sinus trouble: happily he is now convalescing.

I am sure you will all wish to join me in sending a message of good wishes to Sir Frederick.

The report of the Trustees and the accounts of the Fund for the year ended December 31, 1958, were circulated with the notice of this meeting.

The Trustees regret that they are not yet in a position to report that the terms of the proposed merger of this Fund with the Chartered Accountants' Benevolent Association have been finally settled, and consequently, until the merger is effected, this Fund must continue to operate as a separate entity. It was to meet this situation that the rules were altered last year to empower the Trustees to make grants out of both income and capital. As was anticipated in the special circumstances, the revenue of the Fund in 1958 fell to £2,842, but on behalf of Sir Frederick and the Trustees I extend grateful thanks to all those who made contributions. I refer particularly to the

generous grant made by the T. C. Fitton Will Trust and by the Incorporated Accountants' Lodge—now known as the Sir James Martin Lodge.

The Trustees regret their inability to make any more specific announcement at this meeting, but they hope that this transitional period will not be prolonged and that it will prove possible to complete the merger within the next twelve months.

In the meantime the Trustees have continued, and will continue, to give assistance to meet cases of need and hardship. During the year help was given to forty beneficiaries and the total amount disbursed was £3,310.

I am sure that all subscribers would wish me to extend to Mr. Percy Toothill and to the other four Trustees our deep gratitude for their devoted work for the Fund. Unfortunately, Mr. Toothill, although making good progress, is not able to make the journey from Sheffield to attend this meeting. He has asked me to express his apologies for his absence and to place on record his sincere thanks to his fellow Trustees for their work during his enforced absence.

It gives me great pleasure to report that Mr. Edward Baldry, in addition to acting as a Trustee of this Fund, has been elected a member of the Executive Committee of the Chartered Accountants' Benevolent Association. We all welcome this appointment and are grateful to Mr. Baldry for accepting this additional commitment.

Mr. Craig and Mrs. Duncalf have again earned our thanks for their administration of the Fund. Mrs. Duncalf has been untiring in her efforts to help the Trustees and beneficiaries alike. The value of the work of the Fund is not only in terms of grants, but of the personal interest taken by Mrs. Duncalf in the individual concerns of those whom the Fund helps.

We are also greatly indebted to Mr. M. G. J. Harvey, A.C.A., the Institute's Accountant, and to members of his staff who in September, 1958, so helpfully took over the responsibility for all the accountancy work of the Fund.

I now have pleasure in moving the adoption of the report and accounts for 1958, and I will call upon Mr. Wilson Bartlett to second the proposition.

Mr. R. Wilson Bartlett seconded the motion, and the report and accounts were adopted.

Sir Frederick Alban was unanimously re-elected President of the Fund on the motion of Mr. C. Percy Barrowcliff, seconded by Mr. Edward Baldry.

Mr. R. Wilson Bartlett proposed that George William Chapman, Alexander Adnett Garrett, Cyril Drewitt Gibson, Alexander Hannah, Alfred Peter Rivers and William McIntosh Whyte be re-elected Vice-Presidents of the Fund. This was seconded by Mr. C. Percy Barrowcliff and carried unanimously.

On the proposal of Mr. C. V. Best, seconded by Mr. D. Mahony, the following were unanimously re-elected as Trustees:

Charles Percy Barrowcliff, Richard Wilson Bartlett, Edward Baldry, Edward Cassleton Elliott, Percy Toothill.

Mr. James A. Allen was unanimously re-elected Honorary Auditor, with a vote of thanks for his past services. This was proposed by Mr. W. F. Edwards and seconded by Mr. D. Mahony.

The meeting closed with a vote of thanks to Mr. Garrett as chairman.

Cricket

THE TWENTY-EIGHTH annual match between the Institute of Chartered Accountants and the Law Society was played on the Richmond Club Ground on July 2. The match was very closely contested and amid considerable excitement was won by the Law Society by one wicket, the winning hit being made off the fourth ball of the last over.

The Chartered Accountants	
J. A. S. Bentall, b. Cox	26
D. B. T. Lattey, c. sub., b. Cox	25
A. M. Walker, st. Crocker, b. Hughes	13
I. R. Eiloart, c. de Lattre, b. Hughes	40
D. A. W. Bradley, c. and b. Hughes	1
A. B. Brooker, c. wicket, b. Hughes	9
J. Guest, c. and b. Hardcastle	0
M. I. Makin, b. Phillips	30
G. W. Gate, c. Cox, b. Slack	16
L. V. Scarlett, c. and b. Cox	20
A. C. Guthrie, not out	2
Extras	6
Total	188

Bowling: M. Hardcastle 10-1-31-1; N. Phillips 8-1-21-1; D. Cox 18-5-44-3; R. J. A. Hughes 15-2-59-4; I. K. E. Slack 6-1-27-1.

The Law Society	
S. Mundy, l.b.w., b. Bradley	0
R. J. A. Hughes, c. Bentall, b. Gate	13
R. de Lattre, b. Gate	6
P. G. Nathan, c. Bentall, b. Guthrie	34
J. N. Dennis, run out	69
I. K. E. Slack, c. Brooker, b. Guthrie	35
C. S. Dorman, b. Scarlett	0
M. Nemes-Crocker, c. Brooker, b. Guthrie	7
N. Phillips, c. Brooker, b. Guthrie	10
D. Cox, not out	9
M. Hardcastle, not out	9
Extras	9
Total	192

Bowling: D. A. W. Bradley 13-3-36-1; G. W. Gate 8-0-43-2; A. M. Walker 6-0-23-0; A. C. Guthrie 12-0-53-4; A. B. Brooker 2-0-10-0; L. V. Scarlett 2-4-0-18-1.

Forthcoming Events

BIRMINGHAM

September 16-19.—Ninth Residential Course of Students' Society at Merton College, Oxford.

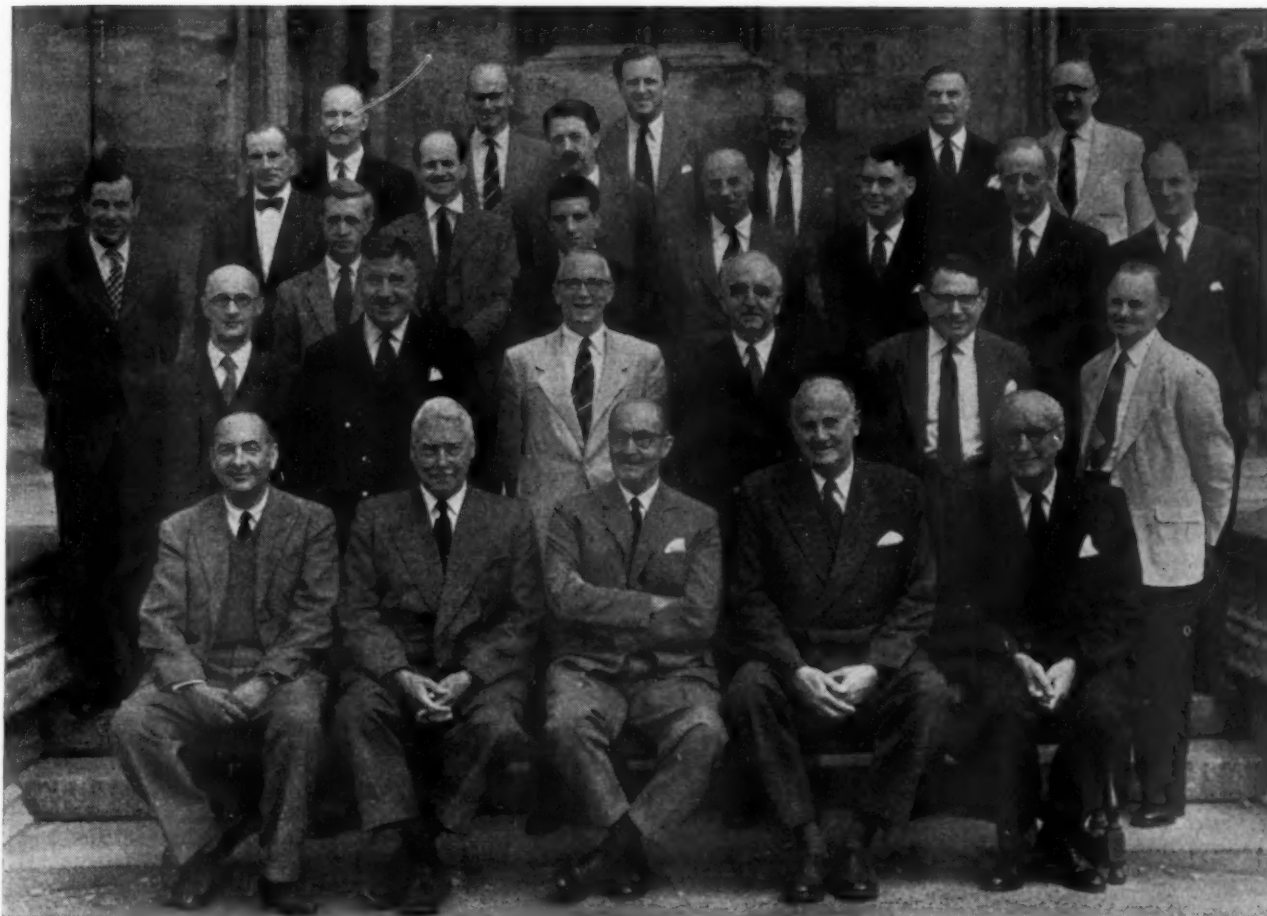
BLACKPOOL

September 4.—Luncheon meeting of Students' Society. Address by Mr. F. W. Purchall of International Computers and Tabulators Limited. The Palatine Hotel, at 12.45 p.m.

September 15.—Students' visit to works and accounting offices of Messrs. Storeys of Lancaster.

BRADFORD

August 28.—Luncheon meeting of Leeds, Bradford and District Society. Victoria Hotel, at 12.45 for 1 p.m.



The Institute Summer Course at Oxford

Front row, L. to R.: S. J. Pears, F.C.A., Vice-President of the Institute; Lieut. Col. D. V. Hill, M.A., Steward of Christ Church; C. U. Peat, M.C., M.A., F.C.A., President of the Institute; P. F. Carpenter, F.C.A., Chairman, Summer Course Committee; Alan S. MacIver, M.C., B.A., Secretary of the Institute.
 Second row, L. to R.: H. L. Layton, M.S.M., F.C.A., Summer Course Committee; R. W. Smith, O.B.E., T.D., F.C.A., Group Leader; D. V. House, F.C.A., Summer Course Committee; J. H. Mann, M.B.E., M.A., F.C.A., Summer Course Committee; E. C. Sayers, A.C.A., Group Leader; L. C. W. Phillips, F.C.A., Group Leader.
 Third row, L. to R.: C. I. Bostock, M.A., F.C.A., Speaker; Leo T. Little, B.Sc.(ECON.), Editor of ACCOUNTANCY; D. P. Hubbard, B.A., Secretarial Assistant; B. D. Barton, M.A., A.C.A., Group Leader; B. Lees, Member of the Institute Staff; A. W. Howitt, M.A., A.C.A., Group Leader; L. P. Cleminson, M.A., A.C.A., Group Leader; A. Hamilton Baynes, M.A., F.C.A., Summer Course Committee; G. N. Hunter, F.C.A., Group Leader.
 Back row, L. to R.: R. A. Palmer, T.D., M.A., F.C.A., Group Leader; H. T. Nicholson, F.C.A., Group Leader; C. B. G. Turner, F.C.A., Group Leader; J. M. Harrison, T.D., B.A., F.C.A., Group Leader; W. W. Ward, F.C.A., Group Leader; D. F. Dodd, T.D., F.C.A., Group Leader; H. P. Patterson, F.C.A., Group Leader.

BRIGHTON

Lectures for first-year students only to be given at Conference Room 3, Royal Pavilion, at 10.15 a.m.

September 5.—"Elementary Book-keeping and Accounts," by Mr. B. J. Dalling.

September 12.—"Income Tax Principles," by Mr. A. G. J. Keat.

September 19.—"Company Accounts," by Mr. A. G. Tomlinson.

September 21–25.—South-Eastern Society of Chartered Accountants Students' Residential Course: Intermediate.

EASTBOURNE

Students' Meetings

September 3.—"Machine Accounting," by a

representative of the National Cash Register Company Limited. At 7 p.m.

September 12.—"Management Accounts," by Mr. W. H. Letman (Macleans Limited). Civil Defence Hall, Furness Road, at 10.30 a.m.

HUDDERSFIELD

September 8.—Luncheon meeting of Leeds, Bradford and District Society. Whiteley's Restaurant, at 12.30 for 12.45 p.m.

LEEDS

Members' Meeting

September 25.—Luncheon meeting of Leeds, Bradford and District Society. Great Northern Hotel, at 12.45 for 1 p.m.

Students' Meetings

At the Leeds and County Conservative Club, South Parade.

September 9.—"The Law of Bankruptcy and Compulsory Liquidations," by Mr. J. F. Meyers, M.A., LL.B., at 4.30 p.m.

September 9.—Pot-pie supper, at 6 p.m.

September 16.—"Mechanised Accounting Afternoon." Demonstrations and visit by National Cash Register Co. Ltd., at 2.15 p.m.

September 23.—"The London Money Market and How it Works," by Mr. Duncan Taylor-Smith, at 6 p.m.

LIVERPOOL

September 17.—"The Marketing of Fruit," by Mr. W. M. Mirrlees. Students' meeting.



*Business efficiency, estate duty and computers put out of mind—
A group at the Summer Course enthrones its leader, Mr. D. F. Dodd.*

LONDON

September 17 to 20.—Students' Week-end Residential Course at Balliol College, Oxford.

MANCHESTER

September 14.—Members' luncheon meeting. The Board Room, 46 Fountain Street, at 12.45 p.m.

September 22.—Members' sherry party. Chartered Accountants' Hall, 46 Fountain Street, from 6 to 7 p.m.

The following lectures have been arranged by the Joint Tuition Committee, on September 19, at the Chartered Accountants' Hall, 46 Fountain Street, at 9.30 and 11 a.m.: Intermediate lectures, by Mr. A. Steel, Senior Inspector of Taxes. Final lectures, by Mr. F. Wolstenholme, F.C.W.A.

NOTTINGHAM

September 23.—"Estate Duty Computations" and "Executorship Law and Accounts" by Mr. D. Rich, A.C.A. Students' meeting. Elite Cinema, at 4 p.m.

OXFORD

September 16-19.—Ninth Residential Course of the Birmingham Chartered Accountant Students' Society. Merton College.

September 23.—"The Practical Approach to Executorship," by Mr. M. W. Lockyer, A.I.B. Students' meeting. The Kemp Restaurant Green Room, Broad Street, at 6.30 p.m.

Students' Society of London Week-end Residential Course at Balliol College:

September 17.—"Tax Avoidance and Evasion," by Mr. G. S. A. Wheatcroft, J.P., M.A., F.I.I.S., F.I.I.T. (Master of the Supreme Court, Editor of *The British Tax Review*).

September 18.—"Management Accounting in Practice," by Mr. A. P. Ravenhill, F.C.A. (Chief Accountant, The United Africa Co. Ltd.), and "Economic Factors in Business Planning," by Dr. G. C. Allen,

C.B.E., M.COM., PH.D. (Professor of Economics, University College, London).

September 19.—"Share Valuations and Takeover Bids," by Dr. C. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S.

September 20.—Service in College Chapel by Rev. F. L. M. Willis-Bund, M.A. (Dean of Balliol College).

"Good Form in Accounts," by Mr. Charles W. Aston, A.C.A. (General Manager, P. & O. Steam Navigation Co.).

PRESTON

August 26.—Students' tennis match against the Law Society. Fulwood Tennis Club.

SHEFFIELD

September 15.—Luncheon given by Sheffield and District Society to welcome newly-qualified members of the Institute. Grand Hotel.

TRURO

September 18.—"How the Secretariat of the Institute Works," by Mr. A. S. MacIver, M.C., B.A. Members' meeting. Truro Town Hall, at 6.30 p.m.

September 18.—"The Institute," by Mr. A. S. MacIver, M.C., B.A. Students' meeting. Committee Room, Town Hall, at 4.30 p.m.

YORK

September 9.—Luncheon meeting of Leeds, Bradford and District Society. De Grey Rooms, at 1 p.m.

Students' Societies

BIRMINGHAM

THE FOLLOWING OFFICERS have been appointed: President, Mr. E. T. Worsley, F.C.A.; Vice-President, Mr. K. J. Milligan, M.A.; Hon. Secretary, Mr. D. K. Rowe-Ham; Hon. Assist. Secretary, Mr. J. S. Dain; Hon. Treasurer, Mr. J. C. Bodycote; Hon. Librarian, Mr. D. R. Rowley.

Correspondence should be sent to the Hon. Secretary at the Chartered Account-

ants' Library, 36 Cannon Street, Birmingham, 2.

The ninth residential course will be held at Merton College, Oxford, from September 16 to 19.

LONDON

News from the Committee

MR. B. M. O'REGAN, B.SC.(ECON.), A.C.A., has resigned his membership of the Committee as he has been called up for National Service. He was elected at the annual general meeting in 1956, and members will remember him well as the Chairman for 1958/59.

Mr. H. J. Atkinson, B.A., has accepted the Committee's invitation to fill the vacancy caused by this retirement.

1959 Group

This Group, for members starting articles during 1958/59, began its activities with a Group Supper at the Unicorn and Dukes, Jermyn Street, which was enjoyed by about fifty students. As a result of the discussion after supper the Group Committee have fixed the Seven Stars in Carey Street, W.C.2 (at the back of the Law Courts in the Strand) and The Coffee House, 15 Fleet Street, E.C.4, as drop-in meeting places for members on Thursdays at 5.30 p.m. to 6.0 p.m. Arrangements are also being made for theatre parties, joint debates and another group supper at the end of October. Other proposals under discussion are dances, a party to Goodwood motor racing, week-end courses, cricket and golf. Details will be circulated in September and it is hoped that this Group will become a live means of contact between articulated clerks.

Sports Results

The cricket team won all its matches last month, beating the Students' Societies of Cardiff (by 46 runs); Birmingham (by 63 runs); and Bournemouth (by 63 runs).

President's Meeting

The speaker at the President's Meeting on October 5 will be Lord Montgomery of Alamein. In Guildhall again.

SHEFFIELD

THE FOLLOWING OFFICERS have been appointed: President, Mr. J. S. Wortley, F.C.A.; Vice-Presidents, Mr. B. Thomas, F.C.A., Mr. F. Downing, F.C.A., Col. W. H. Olivier, M.A., F.C.A., T.D.; Chairman, Mr. K. Archbold, A.C.A.; Hon. Secretary, Mr. J. E. S. Dunn, 82 Ranmoor Road, Sheffield, 10; Hon. Asst. Secretary, Mr. A. W. Hart; Hon. Membership Secretary, Mr. E. K. Williams; Hon. Treasurer, Mr. A. M. C. Staniforth, B.A.(COMM.).

Report

The Committee congratulates 24 members who passed the Intermediate examinations and 31 who passed the Final during 1958.

There are 264 ordinary and 115 honorary members.

A Doncaster Branch has been formed, and early meetings have been most successful.

The 75th anniversary was marked by a dinner.

The residential course was extremely popular. A course will be held from September 28 to October 2, 1959.

Seven evening lectures, three visits and one debate were held. The President of the Institute and Mr. I. A. F. Craig took tea with the students. The Saturday lectures drew an increased attendance.

Social functions have been well supported.

Personal Notes

Messrs. K. J. Pausey & Co., Chartered Accountants, London, announce that they have amalgamated with the Slough branch of Messrs. Calder-Marshall, Ibotson & Bound, Chartered Accountants, and are practising under the latter name at 130c High Street, Slough. The partners of the new firm are Mr. R. Davson, F.C.A., Mr. D. F. Thornton-Smith, F.C.A., and Mr. K. J. Pausey, F.C.A.

Mr. L. R. P. Pugh, V.R.D., A.C.A., director and secretary of Guest Keen Iron and Steel Company Ltd., Cardiff, has been appointed to the new post of assistant managing director. Mr. C. F. Pagnamenta, O.B.E., A.C.A., at present chief accountant, has been appointed secretary. Mr. B. W. John, B.COMM., A.C.A., the assistant secretary, is the new chief accountant.

Messrs. Price Waterhouse & Co. (Malayan firm) and Messrs. Evatt & Co. (of Singapore and the Federation of Malaya) announce that Mr. P. G. Grundy, A.C.A., has been admitted into partnership.

Mr. S. Gordon Weaver, F.C.A., Loughton, announces that Mr. D. C. Barton, A.C.A., who has been associated with his firm for some time, has been admitted as a partner. The name of the firm is now Gordon Weaver, Barton & Co.

Messrs. Myrus Smith & Walker, Chartered Accountants, London, W.C.1, have taken into partnership Mr. R. G. Copping, A.C.A., who served his articles with them and rejoined their staff in December, 1958.

Messrs. Baker & Co., Chartered Accountants, London, Leicester, Coventry, Northampton, Bedford and elsewhere, and Messrs. Thornton & Thornton, Chartered Accountants, London, Birmingham, Oxford and elsewhere, jointly announce that there has been a fusion of their interests and that each practice is now being carried on under the style of Thornton, Baker & Co.

Messrs. Thornton, Baker & Co., Chartered Accountants, have admitted into partnership Mr. G. Barrett-Jones, A.C.A., Mr. M. A. Green, F.C.A., and Mr. J. R. Antoine, A.C.A., who have for many years been associated with Messrs. Thornton & Thornton at their Evesham, Horsham and High Wycombe offices respectively.

Messrs. Robson, Morrow & Co., London, W.1, announce that Mr. John A. Goldsmith, M.A., A.C.A., A.C.W.A., has been admitted as a partner.

Messrs. Alfred G. Deacon & Co., Chartered Accountants, have admitted as partners in the Leicester firm Mr. Hugh Dixon, A.C.A., and Mr. John Davison, A.C.A., who both served articles with them. Mr. Dixon has also been admitted a partner in the London firm.

Mr. W. J. Burslem, A.C.A., who for the last eight years has been secretary to Cornercroft Ltd., Coventry, has been appointed a director. He is also a director of the Birmingham subsidiary, James Beresford & Son Ltd.

Messrs. Price Waterhouse & Co. announce that Mr. J. M. S. Coates, O.B.E., F.C.A., their senior resident partner in Newcastle upon Tyne for many years, has retired from the firm. His son, Mr. M. A. Coates, A.C.A., has been admitted to partnership in the London and Newcastle firms.

Messrs. James, Edwards & Co., Chartered Accountants, London, E.C.2, announce that their senior partner, Mr. H. Garton Ash, O.B.E., M.A., F.C.A., has retired from the firm but continues to be available in a consultative capacity. Mr. W. P. Hughes, A.C.A., who has been a member of the staff for a number of years, has been admitted to partnership.

Mr. Harold Lakeman, F.C.A., senior partner of Messrs. Morrish, Walters & Co., Chartered Accountants, London, E.C.4, attained the age of 80 on June 11. He is still actively engaged in the practice. To celebrate the anniversary, and also his fortieth year in the firm, his partners entertained him and their ladies to luncheon in the Tallow Chandlers' Hall. Mr. Lakeman was presented with a cut-glass decanter.

Messrs. H. G. Ellis, Kennewell & Co., Nottingham, announce the retirement of their senior partner, Mr. H. G. Ellis, F.C.A., who has been in practice in Nottingham for thirty-seven years. The name of the firm is unchanged.

Messrs. Barton, Mayhew & Co., and Messrs. Beevers & Adgie, while fully maintaining their separate practices, have arranged for interchange of services. Barton, Mayhew & Co. will practise from the Leeds address of Beevers & Adgie, to whom they will provide facilities in London, and the overseas offices of Barton, Mayhew & Co. will act as agents for Beevers & Adgie.

Messrs. Gane, Jackson, Jefferys & Freeman, Chartered Accountants, London, E.C.2, have admitted into partnership Mr. D. L. Greenwood, A.C.A., a member of their staff. The firm name is unchanged.

Mr. S. J. Birkett, F.C.A., and Mr. M. J. Birkett, A.C.A., having made arrangements with the executors of the late Mr. R. E. Carey, F.C.A., are continuing at the same address and under the same style his practice of Walter Wesson & Co., Chartered Accountants, London, W.1.

Messrs. R. H. March, Son & Co., Chartered Accountants, Cardiff, have taken over the practice at 44/47 Westgate Chambers, Newport, Mon., of Mr. W. Stuart Simpson, F.C.A., who has retired from

public practice to take up a commercial appointment. The partner in charge of the Newport office is Mr. D. M. H. Jones, A.C.A.

Mr. Ted J. Bala, A.C.A., has been appointed Controller of G. S. Parsons Company and associated companies, San Diego, California.

Messrs. Allen, Baldry, Holman & Best, Chartered Accountants, London, E.C.2, have admitted into partnership Mr. Peter Jackson, A.C.A., who has been associated with them for some time and is the son of Mr. W. J. Jackson, F.C.A., a partner in the firm.

Sir Julian Pote, A.C.A., managing director of the Steel Company of Wales, has been elected the first President of the Cardiff Branch of the British Institute of Management.

Messrs. Josolyne, Miles & Co., Chartered Accountants, London, E.C.2, announce that Mr. J. H. Whitley, F.C.A., has retired from the firm to take up a commercial appointment.

Removals

Messrs. Watson, Waddington & Sharp, Chartered Accountants, have removed their offices to 35 Thorne Road, Doncaster.

Obituary

Stanley Beaumont Hill

WE RECORD WITH regret the death on June 16 of Mr. S. B. Hill, B.A., F.C.A., at the age of fifty-four.

Mr. Hill was educated at Leeds Grammar School, and won a scholarship to Queen's College, Oxford, where he took First Class Honours in Law. He became a member of the Institute in 1931, after serving articles with the firm of Beevers & Adgie, Leeds, and was a partner in the firm from 1936 until the present year.

He was President in 1955 of the Leeds Chartered Accountant Students' Association.

Alexis Jacob

WE REGRET TO record that Mr. Alexis Jacob, F.C.A., senior partner and founder of the firm of Jacob, Cavenagh & Skeet, Chartered Accountants, London and Birmingham, died on May 18 last, at the age of seventy-six. Mr. Jacob was articled to the late Sir William Peat and became a member of the Institute in 1905, after taking honours in the Final examination. In the following year he became Secretary to the Wolsley Motor Company, leaving them in 1928 to commence practice in Birmingham.

Throughout his long and active career Mr. Jacob was known not only for his outstanding intellect combined with practical common sense, but also for his strong Christian faith which inspired his every thought and action.

Classified Advertisements

Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, 23 Essex Street, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8506.

APPOINTMENTS VACANT

ACCOUNTANCY—ASSISTANT EDITOR
ACCOUNTANCY, the journal of the Institute of Chartered Accountants in England and Wales, requires an Assistant Editor. A member of the Institute, a graduate (in economics or law) or a barrister is preferred. Some journalistic experience is desirable. Commencing salary between £850 and £1,350 p.a.; non-contributory pension scheme.—Apply, by letter, to the Editor, ACCOUNTANCY, 23 Essex Street, London, W.C.2. Envelopes should be marked "Personal—Asst. Ed."

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THE MIDDLESEX HOSPITAL, W.1. ACCOUNTANCY ASSISTANT (Salary £762–£1,040) required to take charge, under limited supervision, of Accounts Section which uses punched card and other mechanised methods. Candidates must have a thorough knowledge of accountancy and preference will be given to those who hold or who are studying for a professional qualification. Experience of hospital or local authority finance and of controlling staff an advantage. Full particulars, including experience and qualifications, together with names of two referees to the Finance Officer, THE MIDDLESEX HOSPITAL, London, W.1, within 14 days.

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ACCOUNTANT required by large light engineering concern in Wembley area. Interesting post with good starting salary and prospects, also excellent opportunities to gain industrial experience. Applicants taking finals this year considered. Apply giving details of qualifications, etc., to Box No. 231, c/o ACCOUNTANCY.

ACCOUNTANTS required by FEDERAL GOVERNMENT OF NIGERIA on contract for tour of 12–24 months in first instance. Commencing salary according to age and experience in scale (including inducement addition) £1,290 rising to £1,962 a year. Gratuity at rate £150 a year. Outfit allowance £60. Free passages for officer and wife. Assistance towards children's passages and grant up to £150 annually towards maintenance in U.K. Liberal leave on full salary. Free medical attention. Partly furnished accommodation at low rental. Candidates must be members of a recognised accountancy body. Write to the CROWN AGENTS 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M3A/44929/AD.

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AN ASSISTANT is immediately required to the Chief Accountant of an expanding industrial enterprise in Nigeria, with its headquarters in Lagos. Applicants should preferably possess an A.C.W.A. qualification and have had sound practical experience of financial as well as cost accounting. Preferred age 27-32. Commencing salary according to age and experience but not less than £1,400 per annum. In addition, there are generous family allowances, low rates of income tax, free fully-furnished accommodation, and tours of duty in Africa of about 19 months followed by 3-4 months' leave on full pay. Excellent pension scheme in existence. The position is an interesting and progressive one, offering considerable scope for personal initiative and the development of cost accounting and management information. Some travelling may be involved from time to time in Nigeria and Ghana. Interested applicants should write in to Box No. 220, c/o ACCOUNTANCY.

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AN OPPORTUNITY arises for a young qualified accountant, or one about to take his finals. The position offered is a senior one with a mid-Herts company that is expanding rapidly. Write details of experience and qualifications to Box No. 229, c/o ACCOUNTANCY.

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CHARTERED ACCOUNTANTS. W.C.2 area, require audit assistant age 24-28. Salary £750 p.a. The post offers excellent prospects for rapid advancement for a person able to take responsibility. Write giving full details of experience to Box No. 227, c/o ACCOUNTANCY.

CHARTERED ACCOUNTANT, about 30 years, required for responsible post in their Far Eastern organisation by a leading Merchant Company with widespread interests and staff in many overseas countries. Good general audit and/or commercial accounting experience is desirable. Applicants must be prepared to take charge of locally engaged staff and to be responsible to the Manager in the territory concerned for financial matters relating to the Company's varied business activities. Terms and conditions of service include provision of furnished accommodation, liberal paid home and local leave, outfit allowances, a pension scheme and Provident Fund; help is given with school fees and remuneration is based entirely on merit. Box No. 224, c/o ACCOUNTANCY.

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Hiccups

*So it was at Monte that Aunt Amelia had all those awful diaphragmatic spasms ?
Poor old thing. Usual foreign fuss, I suppose — specialists, night nurses, day nurses,
loads extra on hotel bill . . .*

Not so. Aunt Amelia's a shrewd old party. Always has travel insurance with Royal Exchange. Diaphragmatic spasms only hiccups anyway. But genuine expenses caused by illness whilst travelling covered by Royal Exchange policy. Myself, never stir on business or pleasure without Royal Exchange travel insurance. Costs so little; covers so much. It's always a good idea to send for a travel insurance application form even before you book your tickets.

N.B.

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